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

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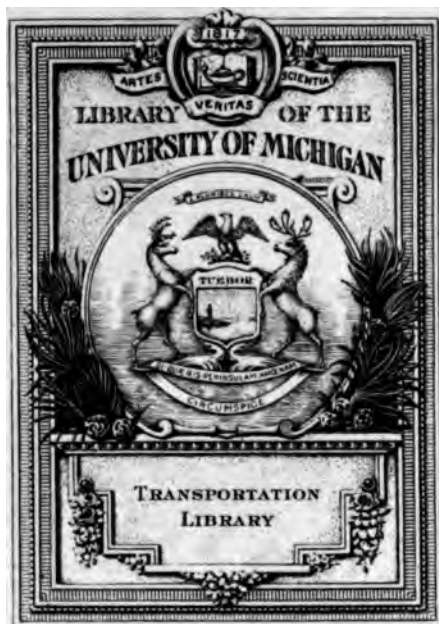
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INVESTMENT AND SPECULATION

IN

BRITISH RAILWAYS.

BY

WILLIAM J. ^{AND} STEVENS.



LONDON:

EFFINGHAM WILSON, 11, ROYAL EXCHANGE, E.C.

1902.



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PREFACE.

DURING the past few years a complete change has taken place in the financial position and prospects of British Railways: a greater change probably than any other similar period in the experience of these companies has witnessed. In particular the attitude of the average investor has undergone a transformation. In place of implicit confidence in the administration and financial stability of these important enterprises, we find a tendency to doubt whether their affairs are administered as ably and thoroughly as they should be, and a still greater proneness to criticise their financial affairs. This changed attitude is not difficult to explain: still less should it be discouraged by all who have at heart the future welfare of our great railway enterprises.

The predominant position which this country had attained, and so long held as the pioneer of railways — probably the most important industrial development of any age—is seriously assailed by other countries, who have profited by our experience. In some respects the United States is already more

advanced in its methods, particularly in the working of freight traffic, and unless our railway directors, managers, engineers, and others are more enterprising than formerly, the undoubted superiority of British railway methods in the past will be entirely wrested from us in the future. Thus in two distinct ways those responsible for railway administration are virtually on their trial: complete confidence in their financial affairs has to be restored, and their ability to keep abreast of the times has also to be demonstrated. In spite of pessimistic forecasts, most competent critics believe that the railway officials of the United Kingdom will prove in the future that they are worthy of the high traditions of the service. But the process may entail the painful operation of abandoning many of the old theories and methods which have actuated them in the past.

The present work is an effort to throw some light on a somewhat dark and uncertain position by one who for fifteen years has made railway problems a continual study, both from inside and outside the railway service.

W. J. S.

June, 1902.



INVESTMENT AND SPECULATION IN BRITISH RAILWAYS.

CHAPTER I.

INTRODUCTORY : RAILWAY CAPITAL.

For many years past Home Railway securities have been the favourite investment of British capitalists in general, and the amount thus involved probably exceeds that invested in any other direction. Until the last few years the confidence of the British investor in railway stocks was never very seriously shaken. Debenture, preference, and guaranteed stocks of all the leading companies not only received their dividends with unfailing regularity, but their market prices over a very long period had gradually appreciated until in 1896 the average return they yielded was only a trifle more than 2½ per cent. Ordinary stocks have had their ups and downs, but for the most part they also had tended to appreciate in value, comparing good years with good years, and bad with bad. In short, such adverse changes in dividends and prices as the junior stocks underwent from time to time were directly traced to adverse changes in the course of general trade, and as such they generally proved to be temporary. But the unsatisfactory results of British railways in general in 1900 and 1901 were not the direct outcome of adverse

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traffic conditions, but were due to a phenomenal advance in working expenses and capital charges, and these have revealed in an unpleasant way the weaknesses of these undertakings. It began to be suspected that capital was being spent with too free a hand, and without that careful supervision which could alone ensure that it would yield a fair return. The rise in expenses also brought into prominence two other unpleasant features. One was the absence of any systematic attempts to restrict working expenses, and the other was that maximum rate powers which were framed in theory to enable the companies to meet any abnormal increase in expenses, were in practice virtually a dead letter and afforded no relief, as more than one important decision of the Railway Commissioners exemplified. In short, as Lord Claud Hamilton said at the Great Eastern meeting early in 1902, "Confidence has to some extent been shaken in railway property as a safe investment, and it is our duty to try and restore that confidence, and to prove by results that it is justified." Whether the full measure of confidence which, until the last few years, investors placed in Home Railways will be restored, depends to a very large extent on the success which attends the efforts of the Boards of Directors and responsible officials to rehabilitate the damaged fortunes of the railways.

How large is the stake of the British investor in Home Railways, may be gathered from the fact that the total nominal paid-up capital at the end of 1900 was 1,176 millions, and at the end of 1901 it probably reached nearly 1,200 millions. Of this large figure 186½ millions were merely nominal additions to capital, leaving the real

capital at the end of 1900 at 989½ millions, virtually all of which is held by investors in this country.

Of this figure, after allowing for the nominal additions referred to, the English companies represent a total capital of 827½ millions, those of Scotland 122 millions, and those of Ireland about 39½ millions. The nominal additions arise from various causes, but are mainly a result of the conversion and consolidation of stocks, which operations have been carried out by most of the large companies on a large scale during recent years. As a prominent example of this may be instanced the conversion of Debenture stocks which has been carried out by most of the large companies during the last fifteen years. For various reasons (the rise in price of these stocks being the most important) several companies have found it desirable to reduce their Four per cent. Debenture Stocks and those of higher denomination to Three per cent. Stocks. In fact, the Great Western actually succeeded in placing a 2½ per cent. stock at over par a few years ago, whilst the Midland by its Act of 1897 converted its Pre-Ordinary stocks into 2½ per cent. stocks, and even issued a Preferred Ordinary stock of the same denomination, these changes involving a total nominal increase of over 70 millions. Operations of this character have been carried out by increasing the nominal amount of capital issued. For instance, holders of Four per cent. Stocks have had £133 6s. 8d. of a Three per cent., or £160 of a 2½ per cent. Stock, issued in exchange for each £100 held by them. This exchange secures to them the same income as before, and its only effect is to add to the nominal capital of the company. On the other

hand the railway companies have received, in the way of premiums on their stocks and shares issued from time to time, large sums of money which are not included in their nominal capital, although these amounts are used for capital purposes and expended in the extension or improvement of their systems. The London and North-Western Company, for instance, shows in its capital account at 31st December last a sum of £9,284,868 as received at one time or another in this way.

For the most part the capital issued by our railways is divided into four classes, namely: Debenture, Guaranteed, Preference, and Ordinary Stocks. There are various subordinate issues such as Rent-Charge Stocks which are practically Guaranteed Stocks, and Preferred Ordinary and Deferred Ordinary Stocks, which as their names imply are merely component parts of the Ordinary stock itself. Besides these there are Contingent Rights Stocks, which share in dividends on the ordinary stock after a certain rate on the latter has been paid. The only such stock of any consequence in the case of English Companies is the Brighton Contingent Rights Stock. In the case of the Scotch Companies they are more numerous. The Caledonian has two, known by the names of Deferred Stocks Nos. 1 and 2, and the Great North of Scotland had two, but now has only one, the other being merged in its Deferred Ordinary issue. The Glasgow and South-Western also has one called the "Deferred" Stock, which, by the way, the Company would do well to get rid of, as it is liable to be confused with its "Deferred Ordinary Stock," created by its Act of 1897. These contingent stocks in every case owe their existence to consolidation schemes, when the

rights they possess to share in dividends on the Ordinary stock beyond a certain rate were separated from various Preference stocks which, previous to the carrying out of the schemes referred to, carried these rights in addition to their fixed rate of dividend.

The Debenture stock of a railway company is, of course, a debt, and the interest thereon an obligatory charge. Technically it is not part of the capital at all, though in practice it is generally distinguished by the title of "loan" capital. If the interest is not forthcoming a receiver may be appointed, unless the holders voluntarily forego their rights, as has been done in the case of the Cambrian and East London among others, in which event the debenture stocks become merely Preference stocks. Receiverships are fortunately not nearly so well-known in connection with British Railways as they used to be in relation to American Railroads, and this is a feature in regard to which holders of British Railway stocks may well congratulate themselves. With one or two exceptions, none of the large railways of this country as we know them at the present time have been in the predicament of being unable to meet their obligatory charges. Numerous small railways have, however, experienced, and still suffer, the inconvenience of such an unfortunate state of affairs. In Wales the railways have been particularly unfortunate in this respect, for, with the exception of those in the extreme South (which curiously enough have paid the largest dividends of any British Railways) practically all the Welsh Companies have been in the hands of receivers some time or other. The Cambrian, Mid Wales, Neath and Brecon, Brecon and Merthyr, Manchester and Milford,

and Wrexham, Mold and Connah's Quay Companies, have all been in serious financial straits, and with several of them this state of affairs may be regarded as decidedly chronic.

Guaranteed stocks rank immediately after the Debenture stocks of a railway, and the interest on them if not earned in the year is cumulative, and must be paid in full before the Junior stocks can receive anything. An example of this is the District Guaranteed stock on which arrears are now accumulating. Some of the earlier Preference stocks are practically in the same position as Guaranteed stocks, and when such is the case they are known by the name of "Non-Contingent" Preference stocks; that is to say their dividends are not merely contingent on the profits of each separate year, but if not earned in any one year will form a charge against future years. The Great Central Company has several such stocks, and at the time of the strike in 1893 considerable doubt existed before the result was known as to whether there would be a deficiency on its last "Non-Contingent" Preference stock, and again in 1901 the same danger appeared to be imminent. As a matter of fact the company paid for 1893 the dividends on all its "Non-Contingent" stocks, and on a further £1,100,000 of Contingent Preference stock as well, whilst in 1901 it also managed to more than pay the non-contingent dividends.

By the Companies' Clauses Act of 1863 all Railway Preference stocks issued thereafter were made contingent on the profits of each year only. So that if earnings are not sufficient to pay them in full the holders have no recourse to the profits of subsequent years to supply the

deficiency in their dividends. Practically all the stock issued by our railways to meet their current requirements, with the exception of debenture capital, is contingent on the profits of each separate year. Comparatively little Guaranteed stock is now issued, and then only under exceptional circumstances.

A great deal of importance attaches to the proportions which the four classes of stock bear to each other. As a general rule the Debenture stock is about a fourth of the total, this being the fixed proportion approved by Parliament in the case of companies incorporated with the usual capital powers or applying for additional capital. This proportion is not varied by Parliament in the case of new capital being raised except under very pressing circumstances, as when, for instance, a company in absolute need of money could not raise it by other means than the issue of loan or debenture capital. In the first table (see Appendix) is shown the proportions of the different classes of capital, under the headings of Debenture, Preferential, and Ordinary stocks. The Guaranteed stocks are in this table treated as Preferential capital, as of course they really are. There are various points in connection with this matter which are worthy of remark. In the first place if a large proportion of the capital is in the form of Debenture and Preference stock, leaving a comparatively small amount of ordinary capital, the latter is likely to be in a precarious position, especially if the rates of interest on the prior stocks are at all heavy. In such a case the fluctuations in dividends are also likely to be acute, for the movements in the net revenue necessarily have a much greater effect on a stock which represents only 20

per cent. of the total capital, than the same increases or decreases would have in instances where the Ordinary stock represented say 40 per cent. of the whole capital. A further disadvantage of a small Ordinary stock is that the margin of net revenue behind the Preference stocks is small, rendering them liable in poor years to loss of dividend, and such being the case they do not command good prices. An instance where the Ordinary stock is small, and the fluctuations in dividends severe, is the North British. Though nominally over sixteen millions, the Ordinary capital of this company is really less than half that figure, the rest being the result of the conversion of the Ordinary stock; and, allowing for this, the proportion of the Ordinary stock to the total capital is only 16 per cent. Another Scotch company with a very small Ordinary stock (only about 15 per cent. of the total capital) is the Great North of Scotland, and it is only necessary to glance over the record of dividends to see how great have been its vicissitudes in consequence. In its early days as much as 7 per cent. was paid. For several years prior to 1873 nothing was paid, but in 1875 the dividend was 2½. In 1878 it disappeared again altogether, and with the exception of 1 per cent. in 1879, nothing further was paid until the end of 1882. Since then the improvement in dividend has been gradual, and fairly steady, but with the above record it will be seen that it is a stock which is liable to very large and sudden fluctuations in dividends. Another instance of a small Ordinary stock is the Great Central, and in that case as soon as declining profits overtook the company many Preference dividends were sacrificed. The Brighton Company is generally

supposed to be subject to severe changes in its dividend. It certainly has in its time undergone considerable fluctuation in this respect. The increase in its Ordinary stock during the past ten years has contributed to reduce these fluctuations, and it will be seen by reference to Table I. that the proportion of its ordinary capital to the total is not much below the average of the companies as a whole.

A reference to Table I. will show the proportion of Debenture capital ranges from about 22·6 per cent. to 33·6 per cent. The proportions of Preferential capital show greater variation due, of course, to the fact that whilst Parliament keeps a watchful eye on the issue of Debenture stock, it is left very much to the companies themselves whether Preference or Ordinary stock is issued in respect of the share capital for the raising of which they have Parliamentary authority. The proportions vary from 28·8 to over 58 per cent. In the cases of the North-Western and North-Eastern Companies it will be seen that the percentage of the preference capital to the total is low, being 30.55 and 30.86 respectively. Seeing that these two companies pay the largest average dividends of any of the large railways, they might well have raised much more capital by means of Preference stock. These two companies, together with the Great Northern and Midland, have a comparatively large proportion of their capital in the form of Ordinary stock. The Chatham, too, has a large proportion of Ordinary stock, but as its Arbitration Preference stock included in the preceding column of the Table is for all practical purposes in the position of an

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Ordinary stock, Chatham Ordinary itself may be disregarded. It will be noted that besides the Great Central and the North British already alluded to, the Great Eastern has a rather small percentage of its total capital in the form of Ordinary stock.

CHAPTER II.

CAPITAL (*continued*).

In the opening chapter the capital receipts and the various forms in which money is raised for capital purposes are fully dealt with. But to the shareholder it is certainly not a less important matter to know how the money thus raised is spent. For various reasons the capital accounts of our railways have hitherto escaped notice in a way which is certainly not altogether creditable to the perspicacity of the average railway shareholder. A commendable tendency for shareholders and all concerned to devote more attention to this matter is one of the most striking sequels to recent adverse results. After all, the capital account and the raising and spending of money in connection therewith, are matters of much more lasting importance than the various items of revenue. But the average holder of railway stocks is much too apt to look at everything from the standpoint of his dividend from year to year. This course is quite natural, but it is attended with grave dangers. From half-year to half-year the various companies publish in the accounts details, often very inadequate, of the expenditure on capital account. Though among the large companies from half-a-million to a million is frequently spent on this account during the six months, the fact is often dismissed by the chairman at the half-yearly meeting by a bare mention of the figures, whilst with the most minute details he wearies the shareholders

with inconsequent remarks and figures relating to all the items of revenue for the six months, which the shareholders already have before them in the printed accounts. Though capital matters now receive rather more attention than formerly, the old lax method is followed in the directors' reports—capital matters being glided over whilst more than due prominence is given to revenue items.

Now, as the present writer has insisted for many years past, the two weakest points in the financial position of our railways are to be found in this direction. First of all there is the absolute impossibility of reducing the prior charges, and secondly, the lavish charges made to capital account. Whilst not taking an alarmist view of these matters it is well to insist that still more attention should be given to them than has been the case in the past. In spite of the great fall in interest (which as regards our railways is fully dealt with in a subsequent chapter), in all directions in evidence until a few years ago, and probably only temporarily checked by the recent war, the railways are not in a position to benefit, as practically all the Debenture and Preferential stocks issued by them are perpetual securities. For all the improvement in their credit the companies have not benefitted—all the advantage has gone into the pockets of the holders of the prior stocks in the shape of enormous rises in prices of these securities, which rises have furthermore been facilitated by conversion and consolidation operations. Even now whilst nearly every corporation, however small, takes the precaution of securing to itself the right of redemption at a certain date, our Home Railways go on issuing their three per cent. and four per cent. stocks without any provision for redemption,

thus leaving the future to take care of itself. This question is undoubtedly a serious one for the ordinary shareholders, for with interest on capital permanently reduced below the present level, as it may be in course of time, it can hardly be expected that even the present reduced average return on the whole capital can be maintained, whilst any reduction in that return would fall solely on the ordinary shareholders, owing to the fixity of the prior charges and the impossibility of making any reduction in the interest payable on two-thirds of the capital of our railways. In the last three years an unfortunate example of this has been witnessed, by ordinary shareholders generally, for they have had their dividends seriously compressed between the rigid fixed charges on one hand and the advance in expenses on the other.

The other weak point in the financial position of our railways is the rapid increase in capital. It is in a measure satisfactory to note that the most recent outlays, though dangerously large, have shown some reduction. In the last four half-years the aggregate outlay of the sixteen principal English railways was as follows:—

1st half, 1900	...	...	...	...	£8,074,000
2nd „ „	...	...	...	...	9,869,000
1st „ 1901	...	...	...	...	7,686,000
2nd „ „	...	...	...	...	6,999,000

But between 1895 and 1900 there had been a very large increase as the following table of the expenditure of all British Railways will show:—

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Year.	Capital Expenditure during year in millions of £.							
1890	14·9
1891	14·8
1892	20·9
1893	17·0
1894	11·1
1895	8·8
1896	10·6
1897	18·9
1898	18·8
1899	16·5
1900	21·6

Each successive period of growing traffics and increasing profits seems to encourage fresh schemes involving enormous outlays which continue until the next period of declining profits comes round again. This was the case in 1889-1892 and again in 1895-1900.

The theory upon which our railways work is to charge to revenue all that is necessary to keep the line up to its original standard of efficiency, and to charge practically every addition to its rolling stock, and the cost of all improvements and extensions of their systems to capital account. After making what is considered to be a fair charge against revenue for maintenance, repairs, and renewals, in addition to the current revenue expenses, the profits are divided up to the hilt. It is obvious that such a theory if not acted upon very strictly may lead to serious abuses. Even to act up to it to the letter is hardly judicious in all circumstances, and this is what most companies

do. For example, a new booking office, a wider bridge, expenses incurred in securing an Act for wider powers, stamp duty on capital, etc., etc., may be academically fair charges to capital account; but viewed in a purely business-like way they are not charges which can prudently be treated as such. The straining after dividends in excess of those which can properly be paid is in many cases to blame for a laxity which threatens to wreck the whole financial edifice of the British railway system. As a general rule in business an addition to capital which does not in any way add proportionately to the profits, is, to say the least, not considered wise. But the Boards of our railway companies do not look at this side of the matter. If they were to be too punctilious dividends would suffer, so when a sum of money is expended on what may be a very necessary work, if it is academically a fair charge to capital, to capital it goes. In fact the question is not how little can be charged to capital account, but how much. An auditor of a prominent railway company frankly admitted to the writer that the present system is faulty. But, he said, the existing methods have prevailed so long and so generally that no company dare face the serious consequences to their ordinary shareholders of a change. Had a proper policy been pursued from the first there is no doubt that the ordinary stocks would be in a much better position than they are now, for fixed charges would have been very much lower than at present. The very principle now adopted is so dangerous that it needs the more to be carefully watched, for it is certain that an open capital account is a temptation to wasteful expenditure. Charges to revenue are generally kept more in hand

because of their immediate effect on profits, but charges to capital being represented only by the interest thereon do not at once appear in so concrete a form—hence the danger.

In view of the policy as regards capital expenditure outlined above, it is also essential that the regular revenue charges for renewals of rolling stock, and maintenance of the permanent way, etc., be carefully examined. If it be low, whilst the capital expenditure on lines open for traffic is at the same time heavy, it may be surmised that capital is being made to bear more than its share of expenditure, and such a course must sooner or later tell adversely on any company which persistently adopts it.

The attitude generally taken up by British railway boards in regard to this vital question of capital was frankly disclosed by Lord Stalbridge at the London and North-Western meeting in August, 1901, when he said:—
“ If you will look at the engineer’s report on the progress
“ of works (involving heavy capital outlay) you will see
“ that there is hardly one object on which our engineer is
“ busy which you may say will bring in one additional
“ penny of revenue to the company.” And the North-Western is deservedly regarded as one of the most conservative railways !

In the second Table (see Appendix) is shown the expenditure on capital account of the principal English and Scotch Railways during the last ten years. It will be seen that the total from 1892 to 1901 amounts to nearly 146 millions, or an average outlay by the 15 companies of nearly 15 millions per annum. In the last column of the table is given the increase in the mileage constructed and

worked by each company during the period covered by the outlay of capital. What strikes one most is the entire want of proportion of the additional mileage to the outlay of capital. This feature is due to the vast outlay continually going on in improving and widening existing lines, adding to the rolling stock, etc.

Examining the second Table in detail we see that the Midland expended the most in the ten years, its total being over 19½ millions. During the same ten years, of the English companies, the Great Central comes second as regards its outlay, with a disbursement on capital account of nearly 17½ millions, mainly due to the London line. The North-Eastern spent over 11 millions, though in this sum is included 2½ millions in respect of the acquisition of the docks at Hull. The Great Northern and North-Western Companies were very near each other as regards actual outlay, with about 11 millions each. But the proportionate increase in the capital of the Great Northern was considerably over twice as large as that of the larger company. Though the Great Eastern and the Lancashire and Yorkshire both expended about 7½ millions, the increases in their mileage are small. Of course the Great Eastern has spent a great deal of late years on its Metropolitan lines to provide for its heavy suburban traffic, and as the traffic of the Lancashire and Yorkshire is very dense throughout its system, it has spent a good deal in widening and improving lines already in existence. The expenditure of the South-Eastern Company on capital account has also been very large. This is due to the exceptional position it has occupied in the last three years under the Working Union with the Chatham, very large sums having been spent for joint purposes.

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With an outlay of over 15½ millions the Great Western had the largest addition to its system, namely 448 miles. In fact nearly one-third of its outlay in the ten years represented the cost of absorbing various subsidiary lines.

Of the Scotch companies, the Caledonian has expended the most between 1892 and 1901, namely, over 10½ millions. The North British spent only 8 millions, but raised a good deal by forming subsidiary concerns. The Glasgow and South-Western was more moderate with an outlay of £8,741,000.

CHAPTER III.

REVENUE.

Gross revenue has been the one entirely satisfactory feature of railway working in recent years, and but for the continuous and extraordinary growth therein it is difficult to say what might not have happened to shareholders' interests. Year by year since 1898 increases have been recorded. For all the railways of the United Kingdom the increase between 1898 and 1900 was over 24 millions, or nearly 80 per cent., of which over 19 millions were absorbed by the additions to expenditure. Gross revenue, particularly from passengers, showed further increase in 1901, though on a smaller scale than in preceding years.

All our important railways derive the bulk of their revenue from the three main sources of goods, minerals, and passenger traffic. The proportions of each traffic earned by the various companies necessarily vary greatly, depending as they do on the character of the districts served by them. The Southern railways are pre-eminently passenger lines, and derive over three-fifths of their total revenue from this source. The Northern lines, including the Great Northern, Midland, North-Western, and Great Eastern, though having a large passenger business—particularly the last-named company—nevertheless earn a large share of their revenue from the carriage of goods. A few other companies stand out

beyond the rest as carriers to a large extent of mineral traffic, amongst these being the North-Eastern, Caledonian, Midland, North British, Great Central, Hull and Barnsley, and the South Wales Companies.

In Table III. is shown the total revenue for 1896 and 1901 of the principal Railways of Great Britain, the amounts and proportions of the receipts derived from the three main branches of revenue being given separately, whilst miscellaneous receipts are also shown. As regards total revenue, the North-Western stands first, with over 14 millions. This company also commands the first place as regards the aggregate amounts of both its goods and passenger traffic. Next to the North-Western comes the Great Western, with a gross revenue of over £11,398,000 followed very closely by the Midland, with total receipts last year amounting to £11,368,000, or only £30,000 less than the former. Next comes the North-Eastern, with £9,118,000. Between this company and the Great Northern, which is next in order, there is a very large gap, for this company's total receipts for 1901 amounted to £5,763,000. Both the Great Eastern and Lancashire and Yorkshire Companies come rather near to this figure.

Of the Southern railways the South-Western has the largest revenue, its figure last year having been over 5 millions—the highest in its history. Next to it comes the South-Eastern and Chatham, with over £4,465,000, the Great Central and Brighton following with £3,420,000 and £3,212,000 respectively.

The great Scotch railways run each other rather closely, though the North British, with its considerably larger

mileage, holds the premier position with £4,478,000, against the Caledonian figure of £4,824,000.

Examining the details as shown in Table III., it will be seen that the Midland derives as much as 98·18 of its receipts from goods traffic. The Lancashire and Yorkshire, which serves a district more dense with traffic than any other line in the Kingdom, follows with 84·88 per cent. of its gross receipts represented by goods. The North-Western obtained last year about 84 per cent. of its total earnings from goods traffic. The Southern lines, it will be observed, have a very small percentage of goods traffic, the largest ratio to total earnings being 19·07 in the case of the South-Western, whilst the Brighton is as low as 14·21 per cent. From mineral traffic these lines derive a still smaller proportion of their revenue, the percentage in the case of those four companies ranging from 8·81 in the case of the South-Western to 10·21 in the instance of the Brighton.

Though not the largest in amount, the North-Eastern secures the largest portion of its revenue from mineral traffic. This company, it will be observed, had its revenue about equally divided between goods, mineral, and passenger traffic last year, the percentage in each case being about 82, the remainder representing miscellaneous items. It is worth noting that the proportions of this company's traffic under the three main heads have undergone considerable changes lately. Since 1889 the proportion of the mineral receipts to the total has fallen from about 85½ to 81½—whilst the percentage of passenger earnings has risen from under 29 to 88. As a matter of fact, out of a total increase in the revenue of this company since 1889

of about £2,280,000, the growth of passenger traffic is accountable for £1,027,000, whilst mineral receipts have shown an increase of only £457,000. Both the leading Scotch railways show a comparatively large percentage of their earnings as derived from minerals, as also do the Midland, Great Central, and Great Western Companies.

It is interesting to note that since 1896 the proportions of the various classes of traffic of the Great Central Company have undergone important changes, traceable to the opening of the London Extension. Passenger revenue has increased by $3\frac{1}{2}$ per cent., and mineral receipts by 2 per cent., whilst goods earnings are lower by nearly $4\frac{1}{2}$ per cent., and miscellaneous income by over 1 per cent.

In passenger receipts, as might be expected, the Brighton Company stands at the top with 72·10 per cent. of its total earnings. Next come the South-Eastern and Chatham, and the South-Western, showing over 70 per cent., and over 60 per cent. respectively of their earnings from coaching traffic. The only other company with over 50 per cent. is the Great Eastern, in which instance the percentage of 53·39 is to a large extent accounted for by its huge suburban traffic. In 1889 its earnings from this source were only 49·16 per cent. of its total revenue.

Sundries vary a great deal, owing to the fact that the items included therein are different in the case of nearly every separate company. The large percentage of the Great Northern is due to the inclusion of the receipts from its joint lines. The Great Central percentage is also large (14·44) for the reasons subsequently given. The only item common to all the companies included

under this head is the comparatively unimportant one of "Transfer fees."

As Table III. supplies the gross revenue figures for both 1896 and 1901 side by side, it is useful for ascertaining the tendency of the various classes of revenue. One striking feature is that every company included therein shews an increase in every branch of revenue, with the solitary exception of the miscellaneous income of the South-Eastern and Chatham, and as a footnote to the table explains that is not actually a decline, but is due to a change in the accounts consequent on the working union. Another interesting feature is that in almost every case passenger traffic bears a larger proportion to the total revenue in 1901 than in 1896. The least elasticity has been shown by goods revenue, which in the case of nine English railways yielded a smaller proportion of the total revenue in 1901 than in 1896.

Theoretically a railway company cannot conduct any business beyond that of a carrier on its own line of traffic offered it for conveyance, together with the numerous operations necessary to enable it to carry on that business with efficiency. Nowadays the business of a railway covers a great deal more than this, and though the carriage of passengers, parcels, mails, merchandise, and minerals are the main sources of income, there are various additional items of revenue. Among these may be mentioned the receipts from docks, steamers, canals, hotels, surplus lands, and house property. Generally to do anything not coming strictly within the business of a railway undertaking it is necessary to obtain a Special Act from Parliament. From time to time most of the principal railways of this country

have secured these powers. Of the fifteen leading English and Scotch Railways twelve are directly interested, and have a portion of their capital invested, in steamers, whilst one of the remaining three is seeking power to do so. Most of them own considerable dock property as well, among those having large interests in this direction being the North-Western, South-Western, Great Eastern, North-Eastern, and Great Central Companies. Various other companies own and work canals, including the North-Western, Great Western, Great Central, and North Staffordshire Companies, each of which has important interests in waterways.

In connection with the railway ownership of canals it may be here noticed that the report of the Select Committee of 1872 pointed out that of 4,000 miles of canal existing in 1865, 1,544 miles had been absorbed by the railways.

The Great Central Railway probably has more of these subsidiary items of revenue than any important company. It has steamers, docks, canals, ferry-boats, and derives a considerable revenue from rents of property as well. All of what were the "Watkin" lines seem to be in an especial degree concerned in these auxiliary undertakings. Take the South-Eastern for example. Besides its steamers, harbours, wharves, and canals, now under the control of the Joint Managing Committee, it owns very large hotel and other property. The Metropolitan Company also has so considerable an amount of land and property that it obtained powers in 1888 to create and issue for each £100 of its ordinary stock £50 of a surplus land stock, which takes all the profit derived from its lands, etc. This

stock, amounting to £2,640,915, received in 1901 a dividend of $2\frac{1}{2}$ per cent.

As a general rule these subsidiary businesses do not pay. Of course the view of the railway companies is that though the steamboats or docks, etc., taken by themselves do not yield a reasonable return on the capital invested in them, they bring traffic to the railway, and therefore pay indirectly. This is no doubt the case in many instances, but not invariably. Undoubtedly there is a great deal of money being lost by the Southern railways in the competition for the Continental traffic. In Table IV. are shown the gross receipts, working expenses, and net revenue in respect of steamers in the case of five companies, which give these particulars in their published accounts, for the years 1895, 1896, and 1901. By reference to the figures there given it will be seen that two companies—the South-Western and Brighton show an actual loss on working, apart from the interest on the capital sunk in the steamboat traffic. The other three—the Great Eastern, South-Eastern and Chatham, and Great Central Companies—show profits on working, but in no case are they large enough to provide a fair return on the capital employed, whilst it is very doubtful if they would have shown any profit at all if adequate provision had been made for depreciation and renewals. It will be noted that in the case of every company included in the table, except the Great Central, the results shown for 1901 were poorer than those for 1896. This comparative falling off in the results derived from the steamboat business only emphasises the contention so often put forward that railway companies should not embark their capital in

enterprises. The Great Western is another company which sustains a loss on its steamboat working, though as the expenses only are shown separately in its published accounts it is impossible to give the actual figures. The details of revenue in other respects are dealt with more fully in the chapters dealing with individual companies.

Having regard to the long-continued and large growth in gross receipts some concern is naturally felt lest revenue generally should decline. Increases cannot go on at the rate which has been experienced in the past seven years, and a maintenance of trade is necessary to prevent any falling-off in goods receipts. Passenger traffic is threatened in various ways, particularly by the extension of tramway competition, and in the London area, by the proposed construction of various underground "tube" railways.

Short distance traffic in many areas has already suffered from tramway competition, and it will grow, for tramways are being built on a large scale throughout the country, and are often provided not for profit but for the public advantage. If the railways can cultivate the long distance traffic still more they may not lose by this competition: but at present the outlook is uncertain, and calls for anxious consideration by the railway authorities.

CHAPTER IV.

WORKING EXPENSES.

Probably no item—or rather group of items—in the railway accounts has come more under the notice of the shareholders in our railways during the last twelve years than the working expenditure. Each year during this period (with the exception of 1895 and 1896) has seen a considerable increase on the expenses of its predecessor quite out of proportion to the concurrent increase in gross receipts. In fact, the poor dividends of 1900 and 1901 were directly due to this extraordinary advance. In spite of an advance in gross receipts entirely unprecedented in the history of railways, working expenses have grown at a still more rapid rate, so that in 1900 the ratio of expenses to receipts for the whole railway system of the United Kingdom had risen to the record figure of 62 per cent., and for 1901 the rate will probably not be less than 68 per cent. on the average. As an example of what had been going on between 1889 and 1901 in this way take the four “Heavy” lines. Compared with 1889 the expenses of these companies showed an increase of £11,007,000, or a growth of over 60 per cent. in twelve years. In the same period the gross revenue of the same lines increased by £10,414,000, or about 80 per cent. Thus it will be seen that the addition to expenses in the period of twelve years from 1889 to 1901 was £593,000 in excess of the increase in gross earnings, enormous though

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this latter was. This sum, in addition to the very considerable amount required to meet the growth of capital charges, caused a serious reduction in the amounts available for dividends on the ordinary stocks, necessitating large and general falling-off in the rates of distribution in 1901 as compared with 1889. Here are the figures for the four companies referred to :—

Working Expenses.

	1889.	1901.
Great Western	£4,185,062	£7,175,875
London & North-Western	5,816,926	8,829,268
Midland	4,880,771	7,088,914
North-Eastern	8,622,714	5,928,911
Total ...	<u>£17,955,478</u>	<u>£28,962,968</u>

Gross Receipts.

Great Western	£8,517,527	£11,851,778
London & North-Western	11,392,625	18,901,296
Midland	8,881,119	11,188,981
North-Eastern	6,844,118	9,112,179
Total ...	<u>£35,085,384</u>	<u>£45,499,179</u>

There is no doubt whatever that abnormal influences were at work during the period covered by the above figures, and the effects were felt by every company. The tendency in all businesses of long standing is for working expenses to increase steadily, and certainly the railways

have not been exempted from this rule, though it is doubtful if ever before in their history working charges took such a sharp spurt upwards as during the period of twelve years already alluded to.

A competent writer on the position of railway companies over forty years ago, in discussing their future prospects, held out to the shareholders the hope of considerable reduction in working expenses. This is far from being realised, for the ratio of expenses to receipts on the principal lines, which was then about 40 per cent., compares with an average of about 68 at the present time. The effect of the increase in expenses between 1889 and 1901 was to raise the ratio from 52 to over 68. In Table V. the actual revenue expenditure on the principal lines is shown for the years 1896 and 1901, together with the ratio to gross receipts in the case of each company.

From the Table it will be seen that the two large Scotch lines are worked at considerably lower cost than the principal English lines. Of the latter the Brighton and Lancashire and Yorkshire Companies show the lowest rate of working. The Great Northern shows the highest percentage of working expenses to gross receipts, its figure being over 67 per cent. For some reason or other the ratio of expenses of this line has, for a long time, largely exceeded that of other important companies. Next to the Great Northern comes the South-Eastern and Chatham with 66.57 per cent. Next comes the Great Central with the high rate of 66.26 per cent, to be traced largely to the increased cost of working the London extension. In 1896 its ratio of working cost was only 52 per cent. Since 1896 the South-Eastern and Chatham

ratio has advanced by about 14 per cent., but this is mainly to be attributed to the efforts made recently to overtake arrears in the provision made out of revenue for maintenance of way and rolling-stock. The North-Eastern ratio of 65 per cent. is the highest of the big railways, and is directly due to the very liberal provision which it regularly makes for the upkeep of the system, which is the strong point in its financial position. In the case of the other companies the ratio last year ranged from 61 to about 68 per cent.

The items of working expenditure which have shown the most important increases during recent years are "Coal," "Wages," "Rates and Taxes," and "Materials."

From 1888 to 1896 a phenomenal advance took place in the wages bills of the various companies, due to a movement in the direction of shorter hours and to higher rates of wages which came into operation. Since 1896 this item of working expenditure has continued to grow but not at so rapid a rate, particularly having regard to the very important growth in traffic between 1895 and 1900.

No sooner had the rapid growth in wages shown some signs of slackening than an entirely unprecedented advance began in the railway coal bills, which, before it had ceased, entailed a loss of millions of pounds to railway stockholders. This increase began in a quiet way in 1897 and 1898, but in 1899, 1900, and the first half of 1901, it grew to enormous proportions. Subjoined are the additions to cost of coal in the four half years from the middle of 1899 to 30th June, 1901, in the case of the twelve leading English Companies :—

Half-year to				Additions to cost of Fuel.
81st December, 1899	...	...	...	£858,000
30th June, 1900	...	...	...	516,000
81st December, 1900	...	...	...	957,000
30th June, 1901	...	...	...	648,000
Total				£2,474,000

Thus the total growth was nearly 2½ millions, and, of course, the cumulative addition was much greater. In the second half-year of 1901 the same companies saved £510,000, which still left about two millions per annum of possible further saving if the prices of coal existing in 1898-1899 are reverted to. In fact, the saving ought to be larger, because the high cost of fuel in the last few years has induced the companies to effect considerable savings in train mileage. Had not the years 1899-1901 been remarkable for a continued growth in gross receipts, the effect of the abnormal additions to the cost of fuel in the same years would have been even more disastrous. The prospective saving in this item of expenditure is one of the brightest features of the immediate outlook.

Another item of working expenses which has grown continuously, and which, unfortunately, cannot be expected to show any reduction in future, is "Rates and Taxes." For this the multiplication of local bodies, armed with spending powers which they know how to use, is largely to blame. County Councils, Borough Councils, Village Councils, School Boards, &c., &c., have added enormously to local taxation, and, unfortunately, the railway companies, whilst contributing a very large

proportion of the expenditure, have no control over it, except such as railway shareholders indirectly exercise as individuals. In fact, "taxation without representation" in the existing principle.

What the increase in "Rates and Taxes" has been since 1891 will be seen from the following table, showing the total payments on this account of all the railways of the United Kingdom.

Year.		Total amount of Rates and Taxes.	Increase compared with previous year.
1891	...	£2,246,000	—
1892	...	2,869,000	£123,000
1893	...	2,588,000	219,000
1894	...	2,816,000	228,000
1895	...	3,011,000	195,000
1896	...	3,149,000	188,000
1897	...	3,294,000	145,000
1898	...	3,425,000	131,000
1899	...	3,582,000	157,000
1900	...	3,757,000	175,000
Total increase...			...£1,511,000

The whole principle of taxation of railways is unsound. They are assessed not as individual companies, but each railway is chopped up among the various rating areas through which it passes, and they endeavour to obtain as much as possible. In short, what is called "the parochial principle" is adopted, namely, the net earnings of the railway in each separate rating area are made the basis of assessment. The Royal Commission on Local Taxation in their Report have recommended that railways and

similar undertakings should be assessed as a whole, and then the total valuation apportioned among the various local authorities on a train mileage basis. This is, obviously, a business-like reform; but various local bodies, the London County Council among them, have indicated that they are opposed to any change.

The other item of working expenditure which has grown in recent years is "Wages." Part of this increase is, of course, attributable to increase in the work done. But the major part is a direct consequence of a higher scale of wages all round, taking either the form of an increased payment for the same amount of work done, or shorter hours without the reduction of wages, necessitating the employment of more men. The Railway Servants (Hours of Labour) Act of 1893, had the effect of giving an impetus to a movement which had already begun, by giving the Board of Trade power to inquire into cases of alleged excessive hours, and also authority to call for a revision of scheduled hours if they deemed such a course necessary. For their own protection railway companies have long ago discovered that long hours should be avoided wherever possible, and in view of the millions expended by them in their efforts to attain this end, it is a somewhat curious indication of the attitude of the House of Commons towards railway interests that in February, 1902, a vote adverse to railway interests on this very hours question was passed. Perhaps, however, the fact that it gave the Opposition a chance of snatching a party victory over the Government explained this unreasonable and unjustifiable course of action. Efforts of paid agitators have, in recent years, somewhat disturbed the traditional cordiality of

the relations between railway servants and the companies, and strikes and rumours of strikes have arisen. But an important judgment, delivered in July, 1901, in the Taff Vale Railway Strike case, will probably curb the efforts of the agitating societies, for the House of Lords has declared that the funds of these societies are liable to meet claims for compensation due in consequence of the acts of their duly appointed officials and representatives. Funds of such societies collected for Widows and Orphan Funds have generally been available as a "Fighting Fund" in case of strikes, but the important decision alluded to may prevent this in future. In any event, it is absurd to allow third parties to interfere between railway companies and their servants, having regard to the fact that the latter are quasi-public servants, and as such are protected by special legislation.

In Table VI. we show the amounts paid in wages by the nine principal English Companies in the various departments, for the years 1889, 1895, and 1901. This indicates that the payments increased during the whole twelve years by £7,095,000 or 54 per cent. It will be noted from the table that these nine companies alone paid nearly 20½ millions in wages in the year 1901. The Midland Company shows the extraordinary increase since 1889 of £1,638,000, or 70 per cent. ; and since 1895 its additional wages amount to rather over a million sterling. Not only is this the largest increase of any company, but it leaves the Midland in 1901 with the largest wages bill of any railway in the country. The North-Western shows the next largest increase since 1889, namely, £1,180,000, and the Great Western follows hard after with nearly a million

advance. Examining the details of increases in the various departments, it will be found that more than half arose in the traffic department alone.

Between 1889 and 1901 the increase in wages paid by the four "Heavy" lines alone was nearly 4½ millions sterling. The war from 1899 onwards undoubtedly tended to add to wages, because various companies contributed to the support of families of reserve men who went to the front, and the absence of a large body of unskilled labourers also had the effect of maintaining wages.

In taking a retrospective view of working expenses, it must be borne in mind that the exceptionally large additions to the items prior to 1896 were attributable to abnormal circumstances which unfortunately arose during a period of declining trade, but since then the traffic has enormously expanded. Throughout the past twelve years, however, wages and, indeed, expenses generally have increased in much greater ratio than the traffic; consequently, it has been a very serious matter for the ordinary shareholders. The outlook is for a large saving in coal and materials, but no economies in wages or rates and taxes can prudently be looked for. If the steps, which the writer and others have urged should be taken in the direction of reformed methods of working are successful, then a very great saving in expenditure can be effected. For an excellent statement of the case for such improved methods, and the estimated advantages therefrom, the reader is referred to a recent publication, entitled "*The British Railway Position*," by G. Paish (The Statist Office, Cannon Street, E.C.), with an introduction by the very able and progressive Manager of the North Eastern Railway.

CHAPTER V.

NET REVENUE.

Having in Chapters III. and IV. dealt with gross revenue and working expenses, the next stage is net revenue. The amount carried from the revenue account to the net revenue account each half-year is for the sake of distinction, generally termed the "net revenue from traffic." To this is added on the credit side of the net revenue account sundry items such as dividends on investments, interest received on surplus funds (when the capital account happens to show a credit balance, which is not often the case as regards the large companies) and further, the balance brought forward from the preceding half-year. These items together, shown on the credit side of Account No. 10, represent the total fund for the half-year available:—(1) for the payment of rents of leased lines and guarantees; (2) interest on loans and Debenture stocks, Lloyds bonds, etc., in order of priority; (3) dividends on Guaranteed stocks; (4) dividends on Preference stocks; (5) dividends on Ordinary stock. After meeting the payments for rents, guarantees, interest on loans and Debenture stocks, that is items 1 and 2, the balance remaining is termed the "balance available for dividend," and the sum thus shown is carried to another account (No. 11) showing "Proposed appropriation of Balance available for Dividend." In this are set out in their

proper sequence the dividends on the Guaranteed and Preference stocks, and anything thereafter remaining is allocated to the Ordinary stock.

Table VII. shows the net revenue of the leading companies for the year 1901. This statement further shows : (a) the amount and proportion of the rents, Debenture interest, and other obligatory charges ; (b) the amount and proportion of Guaranteed and Preference dividends ; and (c) the amount and proportion distributed on the Ordinary stock. In dealing with capital reference was made to the importance attaching to the relative amounts of these three forms of capital, especially in regard to the security of the Preference stocks on the one hand, and the fluctuations in the dividend on the Ordinary stock on the other. In Table I. are shown the proportions of the three classes of stock to the total capital. Table VII. goes a step farther than this, for showing as it does the proportions of the net revenue distributed on the three descriptions of stock, it of course makes full allowance for the varying rates of interest on the prior stocks of different companies, and also for the varying rates of dividend on the Ordinary stocks. Though the figures necessarily fluctuate with the net revenue from year to year, Table VII. on the whole presents the more reliable view of the financial constitution of the various companies for the purposes of comparison.

According to Table VII. it will be seen that the percentage of debenture, etc., charges to the total net revenue ranges from 22·89 in the case of the Midland to 70·57 in the instance of the Chatham Company. It will also be noted that the Great Central proportion of Debentures to

prior charges is high at 68·07 per cent. This is accounted for by the large amount of interest paid on the Lloyd's bonds, which rank next to the Debenture stocks. The bonds have been issued to provide part of the funds needed to complete the London extension, as the Share capital provided therefor was very far from being sufficient. An explanation of what Lloyd's bonds are is given in Chapter X. The effect of issuing them, together with the falling off of Preference dividends has been to raise prior charges to 68·07 per cent. of the net revenue, against only 32·32 per cent. in 1896. The Great Eastern, which like the Chatham and Great Central, has seen its time of financial difficulties, also has a large percentage of debenture charges, the ratio being nearly 45½ per cent. of the net revenue for 1901. In the past all these companies, owing to their financial disabilities, have had to raise a great deal of money for absolute necessities in the shape of prior stocks, for only by this means would they have obtained the required capital. It will be seen that the Lancashire and Yorkshire, North-Western, Brighton and North-Eastern Companies show their proportion of debenture, etc., charges to total net revenue of from only 24 to 27½ per cent. The North-Western and North-Eastern ratios are low, being only 26·06 and 24·15 per cent. respectively. The other "Heavy" line—the Great Western—shows a considerably higher ratio, namely, 36 per cent. So that in spite of the fact that the total net revenue of both the North-Western and the Midland exceeds that of the Great Western, the obligatory charges of the latter are the largest of any company. This is partly explained by the fact that in 1901 the Great Western paid a large sum in

respect of rents of leased lines, and guarantees to subsidiary companies.

Preference charges as shown in Table VII. also vary considerably. The lowest percentage is that of the North-Eastern, namely, 27·88, though the North-Western is also very low, namely, 29·10 per cent. The highest ratio is that of the Great Northern Company, namely, 42·82 per cent. Next comes the Lancashire and Yorkshire with 42·42 per cent. of its revenue distributed in Preference dividends. The Brighton Company also has a heavy proportion of preference charges—rather over 41½ per cent. of the net revenue. That was the main reason why the directors determined to raise the further capital required in the form of Ordinary stock on two or three occasions in the last twelve years, so that the security of the Preference stock might be improved. It is also important to note that though the proportion of the preference charges of the Brighton Company is above the average, that of the debenture charges is decidedly below the average, being as already stated, only 24·58 per cent. The Great Eastern, Great Western, South-Western, Great Central, and Midland do not vary much, their ratios ranging from 35·11 to 37·58.

Regarding the Great Central and Chatham percentages of net revenue distributed on the Preference stocks it should be remembered that they appear smaller than would otherwise be the case from the fact that the preference dividends are not by any means paid in full.

From the necessities of the case the proportions of net revenue distributed on the ordinary capital show the most variation. At the bottom are the Chatham and Great Central with nothing, and at the top the North-Eastern,

which in 1901 paid as much as 48·22 per cent. of its net revenue in dividend on its Ordinary stock. The proportion may be said to agree roughly with the prosperity or otherwise of the various companies. Where large dividends are being paid the companies have issued more Ordinary stock, and thus further enhanced the proportion of their distribution on that form of capital. The Chatham and Great Central are, of course, at the bottom, where their comparative financial standing merits. The South-Eastern is a little better off, for it paid 18·05 per cent. of its net revenue in ordinary dividend in 1901, though five years before it paid nearly 40 per cent. A little higher comes the Great Eastern, which has wonderfully improved during the last fifteen years, with nearly 19 per cent of its net revenue distributed on the ordinary capital. In 1892 only 14 per cent. was distributed on its ordinary stock. Then comes the Great Northern, with 26·03 per cent. distributed on the Ordinary stock. Next comes the Great Western with 28·77 per cent. The ordinary capital of this company is relatively small, probably owing to the fact that it is only within the last fifteen years or so that it could raise money by this means with advantage. Consequently, though it paid a fair dividend for 1901, the proportion distributed is small, owing to the relative smallness of its ordinary capital. Tracing the percentages upwards we eventually arrive at the Lancashire and Yorkshire with 30·04, the South-Western with 35·24 per cent., the Midland with 39·98 per cent., the North-Western with 44·93, and finally the North-Eastern with 48·22.

Of the Scotch Companies, both the Glasgow and South-

Western and the Caledonian distribute a considerable proportion of their net revenue on their Ordinary stocks. On the other hand the North British paid away a small percentage of its net profits in dividend on its ordinary capital. The Ordinary stock of this company is small for the same reason that the Ordinary stock of the Great Central and Great Eastern is small, namely, because it has found it necessary to raise a good deal of capital by the issue of Preference stocks, owing to the uncertain position of its ordinary stock.

CHAPTER VI.

DEBENTURE GUARANTEED AND PREFERENCE STOCKS.

Most of the Debenture Guaranteed and Preference stocks of our railways are so well secured that by the Trust Investment Acts of 1889 and 1893 they were made eligible as Trustee Investments, the sole condition being that such stocks form part of the capital of a company which for the ten years immediately preceding the investment paid a dividend of not less than 8 per cent. on its ordinary stock.

The Trustee Investment Act of 1893 also permits investment in any securities authorised by order of the High Courts of Justice of England and Ireland. Among these—which are generally known as “Chancery stocks”—are Debenture, Preference, Guaranteed, or Rent-Charge stocks of railways in Great Britain or Ireland having for ten years next before the date of investment paid a dividend on Ordinary stocks or shares.

Most of our large companies comply with the first-named condition, and in consequence there has for many years been a large demand for their prior stocks on the part of trustees. The result was large appreciation in the values of these securities and a considerably diminished yield down to 1896. Since then dearer money and the war have induced considerable depreciation. The rise in the Bank rate to 4 per cent. in October, 1896, marked the

beginning of a period of falling prices. Below we show at different periods the yield on the Debenture and Preference stocks of several leading companies to illustrate how large has been the reduction in yield on this class of investment :—

<i>Debenture Stocks—</i>	Approximate Yield beginning of						
	1870	1880	1885	1889	1896	1902	
Great Northern	4·0	8·6	8·4	8·1	2·6	2·9	
Great Western	4·4	8·8	8·4	8·1	2·6	2·9	
London and North-Western	4·0	8·6	8·2	8·0	2·6	2·9	
Midland	4·0	8·6	8·4	8·1	2·6	2·9	
North-Eastern	4·0	8·7	8·4	8·1	2·6	2·9	

<i>Preference Stocks—</i>							
Great Northern	4·5	8·9	8·6	8·2	2·7	3·2	
Great Western	4·6	8·8	8·6	8·2	2·7	3·1	
London and North-Western	4·4	8·8	8·5	8·2	2·7	3·1	
Midland	4·4	8·8	8·6	8·2	2·7	3·1	
North-Eastern	4·5	8·8	8·6	8·2	2·7	3·1	

It will be noted that in the interval between 1896 and 1902 the yield per cent. on these typical prior stocks increased by 10 per cent. and upwards. Until the autumn of 1896 practically continuous appreciation in them had taken place largely as the result of special influences. The area of Trustee investments was strictly confined, whilst for several years prior to 1896 abnormally cheap money was a potent influence. Dearer money, the influence of the war expenditure since 1899, and the increased area of Trustee investments has led to a less urgent demand for Home Railway prior stocks, and as a result the present rate

of return is substantially higher than that current six years ago. The admission of various Colonial stocks as Trustee investments under the Colonial Stock Act, 1900, has very materially increased the securities available, and moreover the higher yield afforded by them often turned the scale in their favour. Another influence which has very materially increased the supply of stocks available for trusts has been the increasing tendency on the part of leading municipalities to employ public funds in tramways, waterworks, gas works, docks, and numerous other undertakings, with the result that their obligations are increasing very rapidly, and the opportunities for trust investment correspondingly enlarged.

But after making all allowances for changed conditions which are not of a merely temporary character, Home Railway prior stocks will probably recover when the adverse effects of the recent war on all high-class stocks are removed. As an example of the depreciation let us take London and North-Western 3 per cent. Debenture stock. In 1896 that security reached the figure of 125; but early in 1902 it was only quoted at 102½. The security, in spite of the decline in profits of the North-Western between 1899 and 1902, is excellent, and in this and all good Home Railway Pre-ordinary stocks a fair recovery is to be expected during the next few years.

A large proportion of the capital of our large railways was issued prior to 1870, and had they been in a position to benefit by the improvement in their credit there would have been a very large reduction in prior charges and corresponding improvement in the position of the ordinary stocks. But, as pointed out in a previous chapter, the

securities of our large railways being perpetual, the benefit arising from their improved credit has gone solely to the holders of these stocks in enhanced capital values. The railways have not benefitted at all as regards the capital issued prior to 1870, except here and there to a slight extent, where they were able to pay off loans and redeemable stocks by the issue of securities carrying lower rates of interest. The only advantage gained by the railways has arisen from the gradually improving prices and lower rates of interest on the issue of capital from time to time since 1870. With all their other faults it is certain that the American method of financing railroads by the issue of redeemable bonds, has had advantages over the English system. Most of the large American railways have reduced their prior charge to a very large extent with the improvement in their credit, and they are still in a position to benefit from further improvement. Certainly the system of terminable obligations would have been more successful in the case of English than of American railways, for the latter, though in a position to benefit by improved credit have not on all occasions acted with an eye to the improvement of their financial standing.

Whilst even at the present time almost every petty corporation reserves the right to redeem its issues at or after a certain period, our large railways with equally good credit continue to issue perpetual stocks. It is doubtful if, when converting the Debenture stocks by increasing the nominal amounts as many of them have done, the companies would not have been wise to demand as a "quid pro quo" from the holders a stipulation that the company should have the option of redemption after a certain period.

The position of a Debenture or Preference stock depends a good deal on the margin of revenue behind it. If that margin is large the security is comparatively good, and the prospect of loss of dividend remote. If the margin is small, the possibility of an adverse year, when not only would the margin disappear, but the dividend on the Debenture or Preference stock be partially, if not altogether, in default, has to be reckoned with, and a stock in such a position of course commands a comparatively low price. As matters stand none of the Debenture stocks of any of our large railways are in what would be termed an insecure position. The relative margins of security behind them vary of course, but even in the worst cases a considerable sum of net revenue would have to disappear before the Debenture stocks would be affected. In a few instances the security behind the Preference stocks is either non-existent or rather slender, and as these stocks are a good deal lower down the scale than the Debenture stocks, the question of whether the margin is large or small comes, of course, more into play.

In Table VIII. is shown the percentage of net revenue in 1896 and 1901 existing behind the last Debenture stock, and also behind the last Preference stock of each company. Many of the large companies have consolidated their prior stocks, but there are several notable exceptions. The North British and Great Central Companies probably have a larger number of different issues than any other company, but there is no difficulty in determining their priority, as they rank in order of the dates attached to them. There is a great disadvantage in numerous small issues, in that the market is restricted as compared with one large issue,

and in the case of several companies consolidation schemes might be introduced with advantage. As a matter of fact, the North British has this power, but has not yet exercised it. Regarding Preference stocks at present having a small margin of security, it should be noted that an improvement in the ordinary dividends behind them would result in an enhancement in value, as these stocks have the potentiality of considerable improvement in price.

CHAPTER VII.

ORDINARY STOCKS AND DIVIDENDS.

Under the general heading of Ordinary stock there exists quite a variety of junior securities of our railways. In the first place there are the Ordinary stocks pure and simple, with dividends and prospects varying according to the individual characteristics of the line on which each is dependent. Then there are the Preferred Ordinary stocks, which, although in all they number about fifteen, are of various kinds; and there are the corresponding Deferred Ordinary stocks, which also possess varying rights. After these come the subsidiary stocks referred to in a preceding chapter, which carry rights to share dividends on the Ordinary stock after a certain rate has been paid thereon.

In Table IX. are shewn the dividends paid on the Ordinary stocks of the leading lines for the last eleven years. Included therein it will be seen there are three companies which paid no dividend on their Ordinary stocks during 1901—namely, the Great Central, Chatham, and District. The Chatham is only paying part of the dividend on its Arbitration Preference, and before its Ordinary stock can rank, the dividend has to be paid on the Second Preference.

The Great Central has paid nothing on its ordinary stock since 1898, when the interest on London Extension capital first fell upon revenue. In fact, many of its Preference

stocks have suffered a partial or total loss of dividend since then. The following table will show exactly what dividends have been unpaid on the junior preferences since the period of default in payments began :—

		Year.			
		1898.	1899.	1900.	1901.
Stock.					
5 per cent. Pref.	1872	5	5	5	5
5	„ 1874	5	5	nil.	2
5	„ 1876	5	5	nil.	nil.
5	„ 1879	5	8	nil.	nil.
5	„ 1881	5	2½	nil.	nil.
4	„ 1889	4	2	nil.	nil.
4	„ 1891	4	nil.	nil.	nil.
5	„ 1894	*5	nil.	nil.	nil.

The District paid nothing on its 5 per cent. Extension Preference for the second half of 1900 or for the year 1901, and in those three half-years there existed a deficiency in the Guaranteed dividend which is, of course, cumulative. The dividends paid in 1901 on the Ordinary stocks range from ¾ per cent. on Hull and Barnsley to 6¼ per cent. in the case of the Barry Company.

On the rates paid on the Ordinary stock itself the dividends on the Preferred and Deferred Ordinary stocks depend, and the distributions on the latter stocks are shown in the second part of Table IX. In every case except six the Preferred and Deferred Ordinary stocks exist alongside the Ordinary stock itself. The six exceptions are the Great Central, Great Northern, Great North of

* Until 25th August, 1898, paid out of capital.

Scotland, Glasgow and South Western, Midland, and North British, all of which carried out compulsory conversions of the whole of their Ordinary stock.

In order to make the second part of Table IX. intelligible, it is necessary to explain the position of the various classes of Preferred and Deferred stocks.

The oldest group is that comprising the Brighton, South Eastern, and Great Central Preferred and Deferred stocks. Under the Regulation of Railways Act, 1868, "Any Company which in the year immediately preceding has paid a dividend on their Ordinary stock of not less than three pounds per centum per annum may, pursuant to the resolution of an extraordinary general meeting, divide their paid-up Ordinary stock into two classes, to be and to be called the one Deferred Ordinary stock, and the other Preferred Ordinary stock." In terms of the Act referred to, for each £100 of Ordinary stock there may be issued at the request of the holder and in substitution for the Ordinary stock £50 of a Preferred Ordinary entitled to a dividend in each year, out of the dividend available for the Ordinary stock, of 6 per cent. and £50 of a Deferred stock entitled to the balance. This enactment, though taken advantage of by the three companies already referred to, and also by the Metropolitan, does not suit modern conditions, and in fact has not been put in force since the Brighton Company adopted its provisions in 1875. In the first place the payment of 3 per cent. in one single year can hardly be considered a reliable basis on which to issue a stock which is dependent for its full dividend on the maintenance of that rate. This accounts for the existence of the Great Central Preferred Ordinary stock

which has received nothing for several years, whilst that company has only paid the full dividend on its Preferred Ordinary twice since the creation of the latter in 1878. In terms of its Act of 1897 all the unconverted Ordinary stock was replaced by Preferred and Deferred.

The other two Preferred stocks of this group are those of the Brighton and South Eastern. The former has since its creation had its full dividend regularly every year, but the South Eastern Preferred Ordinary issue only received 4 per cent. for 1901, that being the first year for which its holders had to suffer any shortage.

The Deferred stocks of the Brighton and South Eastern show fluctuations in their dividends to the extent of double the fluctuations in the dividends on the Ordinary stocks of those lines for the simple reason that each £100 of the Deferred carries what may be termed the "tail end" of £200 of Ordinary stock.

The next class of Preferred and Deferred Ordinary stocks comprises only two—the Caledonian and North British stocks. Both are more modern creations, the former having come into existence in 1890 and the latter in 1888. In each case £100 of Preferred and £100 of Deferred was issued in exchange for £100 Ordinary stock. In the case of the Caledonian it was optional on the part of the holders of Ordinary stock, whilst in the case of the North British the whole of the Ordinary stock was compulsorily converted, the old Edinburgh and Glasgow Ordinary stock being merged in the new Deferred of the latter company. The system of issuing £100 per cent. of both Preferred and Deferred stocks is known as duplication, in contradistinction to the old plan already referred to, of "dividing"

the Ordinary stock into £50 per cent. of each security. The main distinctive feature of the two Scotch Preferred Ordinary stocks is that they are only entitled to their fixed rate of 8 per cent. per annum out of the profits available for dividend on the Ordinary stock in each *half* year. This lessens the value of the preference right of the Preferred Ordinary, but correspondingly improves the status of the Deferred stock, which in the case of the North British is entitled Ordinary stock, though it is only a Deferred Ordinary security. The Midland company proposed in 1897 to convert its Ordinary stock compulsorily on this half-yearly principle, but finally decided to make the Preferred rank on the year.

A third group of Preferred and Deferred Ordinary stocks comprises the Midland, South Western, Glasgow and South Western, Barry, Rhymney, Great North of Scotland, and Isle of Wight railway stocks. All these stocks are duplications of the old Ordinary stock, and though the Preferred issues carry varying rates they are all secured on the complete year's net revenue, except the last-named. Midland and Glasgow and South Western Preferred Ordinary stocks are $2\frac{1}{2}$ per cent. issues, and their conversions were made compulsory. Great North of Scotland Preferred Ordinary is a 3 per cent. stock and its conversion was compulsory. South Western, Barry, and Rhymney Preferred stocks are 4 per cent. issues secured on the year's profits, and are the outcome of voluntary conversions. Isle of Wight Preferred is a 4 per cent. issue, and is secured on the half-year only.

Several companies occupy a special position as regards their conversions. The Central London, for example,

divided a number of its original £10 shares into Preferred and Deferred half-shares, the former entitled to 4 per cent. preference on the year. All the shares have since been converted into stock. The Great Northern and City also has half its Ordinary capital in the form of a 4 per cent. Preferred or "A" share entitled to 4 per cent. out of each year's profits and ranking rateably with the Deferred or "B" share in any excess over 5 per cent. on the latter.

Another special case is that of the Great Northern, for though the Preferred Ordinary stock of that company is entitled to 4 per cent. out of the profits available for the ordinary stock, like the South Western Preferred Ordinary, it is constituted on quite a different basis from the latter. For each £100 of original Ordinary stock of the Great Northern still remaining undivided there was issued in 1890 (a) £75 of a 4 per cent. Preferred Ordinary and (b) £50 of a Deferred Ordinary. Instead of the Ordinary stock being "duplicated" therefore as in the instance of the South Western it was only nominally increased by 25 per cent. Further it will be noted that whilst 3 per cent. on the original Ordinary stock of the Great Northern would suffice to satisfy the full dividend of 4 per cent. on the Preferred Ordinary stock, the South Western requires to pay at least 4 per cent. on its Ordinary stock in order that it may pay the full rate on its Preferred. But as the South Western is earning a considerably larger average dividend on its Ordinary stock than the Great Northern, it is able to pay the larger rate of 4 per cent. and yet leave a balance for the Deferred. So much for the Preferred Ordinary stock of the Great Northern Company.

The Deferred stock of this company also has its characteristics. As only £50 of Deferred stock was issued to represent £100 of Ordinary, it follows that £100 of the former carries the reversionary rights of £200 of the Ordinary stock as it originally existed, in this respect resembling the Brighton and South-Eastern Deferred stocks.

Alongside its Preferred Ordinary and Deferred Ordinary stocks the Great Northern has £1,159,275 of both "A" and "B" stock representing £2,818,550 of Ordinary stock, these stocks having existed previous to 1890. The "B" stock is entitled to a cumulative dividend of 6 per cent. and the "A" stock is entitled to the balance. Except for the fact that the Preferred charge of 6 per cent. in front of the "A" stock is cumulative, the position of this security is practically the same as that occupied by the Deferred Ordinary, though as the latter is for a much larger amount it enjoys a freer market. Altogether the Great Northern Ordinary capital has become rather complicated, and, in view of this, further points regarding it are dealt with in a subsequent chapter concerning the general position of that company.

Turning to the second part of Table IX. it will be seen that during the past eleven years the dividends on the Preferred Ordinary stocks have generally been regularly paid or earned, with the exception of those on North British and Great Central Preferred Ordinary stocks. Other exceptions exist, but they are due to special circumstances. For example, the Barry and Rhymney companies only paid 3 per cent. for the year 1898 on their Preferred Ordinary stock, but that was the period of the South Wales coal strike. In one year the Great North of

Scotland failed to earn more than $2\frac{1}{2}$ per cent. on its Preferred, and for the first time on record the South-Eastern in 1901, instead of 6 per cent., earned only 4 per cent. on its "B" or Preferred Ordinary stock. In the majority of cases the margins over represented by the Dividends on the Deferred stocks are considerable. The Midland, Barry, and Brighton Companies have shown on the average a margin of over 100 per cent. of dividend behind their Preferred stocks. The Glasgow and South-Western, Great North of Scotland, South-Western, and Caledonian each showed a considerable margin.

Of the Deferred stocks that of the Brighton Company shows the highest average dividend during the eleven years, namely over 6 per cent. Next comes the Barry, with an average on basis of the Ordinary dividends during that period of over 5 per cent., excluding the strike year of 1898. For eleven years past the average dividend on Midland Deferred, had it been in existence the whole of that period, would be about 8 per cent. For the same period the Glasgow and South-Western Deferred stock would have yielded nearly $1\frac{1}{2}$ per cent. London and South-Western Deferred has received an average dividend of $2\frac{1}{2}$ per cent., and the Caledonian issue about $1\frac{1}{2}$ per cent., but the average of North British does not much exceed $\frac{1}{2}$ per cent.

Owing to their recent misfortunes the dividends formerly paid on Great Northern and South-Eastern Deferred stocks have entirely disappeared since 1899. They thus share the fate of Great Central Deferred, which has only had one dividend in its history, namely $7\frac{1}{6}$ per cent. for 1889.



CHAPTER VIII.

POINTS FOR INVESTORS.

The first consideration with the investor in discussing the merits of any particular stock is generally—what yield does it give on present results, and what are the prospects that present results will be maintained or improved upon? Of course the probability of being able to sell without loss of capital, and at any time, are further important considerations; but these features will depend a good deal on the other points referred to. From the investor's point of view the most noteworthy feature as regards Home Railway Ordinary stocks is the great decline in the yield they now afford as compared with former years, even at the greatly reduced prices compared with say 1896. Dividends have fallen disastrously since 1898, and though prices have in the majority of cases shown large depreciation as well, the return obtainable has become smaller. Less than twenty years ago 5 per cent. was not considered too large a yield on a Home Railway Ordinary stock. By 1889 4 per cent. was considered a fair yield on this class of security. On basis of actual dividends the present yield on many stocks is now less than 3 per cent., and on the average is about $3\frac{1}{4}$ – $\frac{1}{2}$, though, of course, allowance must be made for the fact that dividends are now rather below the average in many cases. Various Ordinary and Deferred Ordinary stocks yield less than

8 per cent. or, in some instances, nothing at all—the market value placed upon them thus being an estimate of their prospective worth. Among stocks which have quite recently been added to this category are Great Northern “A” and Deferred stocks, and South-Eastern Deferred stocks. Investors in Home Railway stocks as a general rule will probably fare best if they confine their attention to the prior stocks or the good Preferred Ordinary stocks, leaving the Ordinary stocks to the speculator or the speculative investor. If the acquisition of any Ordinary stock is insisted on, then the best class of dividend-payers, such as North-Western, Great Western, North-Eastern, South-Western, and Lancashire and Yorkshire, should be patronized. The Debenture and Preference stocks of the best railways can be secured to yield 8 to $8\frac{1}{2}$ per cent., and Preferred Ordinary stocks can be obtained which yield $8\frac{1}{2}$ to 4 per cent. Whilst this is the case the investor who looks mainly at security for both income and capital would be incurring needless risk in buying Ordinary and Deferred stocks, which, in some cases yield no return at all at present, and in other cases return on the basis of current quotations less than $8\frac{1}{2}$ per cent.

If the Home Railway situation improves, as on balance it may be expected to do, the security for the Pre-Ordinary and Preferred Ordinary stocks will be augmented, and market values also should appreciate. In this connection it should also be remembered that before the South African war the return yielded by these securities was appreciably smaller than it is now. Owing to the heavy demands of the Government for funds to meet the cost of the late war,

"gilt-edged" stocks of all kinds have suffered considerable depreciation. When the demands have ceased, and a normal condition of affairs has been reverted to, the Pre-Ordinary stocks should recover a very large part of the loss in market values which occurred during 1899-1901.

For the speculative investor who believes in the future of Home Railways, an exceptional opportunity is offered of buying stocks at lower prices than those which have ruled for some years. The Home Railway situation at the present time is perhaps more uncertain than at any previous time. A vast increase in expenditure has arisen, which, since 1898 has swamped the very large growth in receipts. Any further large increase in revenue cannot be looked for at present, and it is towards economies that attention must be mainly directed if the profits of the railways are to be improved, and if the dividends on the junior stocks are to be increased. In some directions, such as coal and train-mileage, savings are obviously possible on an important scale. For the rest the outlook in the future depends very largely on the success of the efforts being put forth to introduce new methods of handling traffic. Several leading companies have in the last few years sent deputations of their responsible officials to the United States for the express purpose of studying the methods of operation prevailing there. Necessity is the mother of invention and stress of bad times, and extremely low rates have in the past compelled the railways of America to resort to every possible expedient for working cheaply, and remarkable success has in general attended these efforts.

The "tracks" have been improved, curvature reduced,

gradients removed or reduced, locomotives made more powerful, larger waggons introduced, train loads increased, and in the handling of freight traffic the savings have been marvellous. By these means train miles have been reduced, fuel and wages have been economised, and the traffic handled enormously increased with an actual saving of energy.

It cannot be denied that the conditions in America are vastly different to those prevailing in the United Kingdom, and the same measure of economy is not possible. Geographically the railroads of the United States are favoured, for "long hauls" are there the rule rather than the exception, whilst the traffic is also capable of being handled in train-loads more readily than in this country, where short hauls and small consignments predominate. Neither have the railroads of the United States to conform to the same strict regulations which the Board of Trade at the instigation of Parliament has framed for railways in this country.

But after making all due allowance for the different conditions prevailing, those most competent to judge are frankly of opinion that by adopting American methods—particularly in regard to freight traffic—savings in the working of railways in this country can be accomplished. In the past there has been no particular inducement to economise in railway working in the United Kingdom. Rates have been liberal, if not extravagant as traders themselves allege, and an open capital account has without doubt encouraged extravagance. But in train-mileage an enormous saving is possible in the course of time, not only in goods and mineral traffic, but also in the passenger department. In this country the paying loads

of goods and mineral trains seem to average little more than fifty tons, whereas many times that load is the rule in the United States. In the competition for passenger traffic also the waste of train-mileage is equally serious and nothing stands in the way of a large saving, except lack of a general understanding between the rival companies. Competition for Scotch traffic, and for traffic to leading Provincial towns, probably entails the waste of millions of train-miles every year. Efforts are being made to effect savings in the directions indicated, and if persevered in can scarcely fail to be beneficial. The North-Eastern has led the way by deciding to sub-divide its traffic staff, so as to have one branch dealing with the public and canvassing for traffic, and the other actually working and handling the traffic and dealing with the technical side of railway working.

It will be strange indeed if this country which provided the pioneers of railway working fails to maintain its early advantages, and now that the necessary inducement for economy is given it is to be confidently hoped it will be accomplished on a large scale. What a saving in expenses may mean will be gathered from the fact that 4 per cent. reduction in the ratio of expenses to receipts, that is, from 63 per cent. to 59 per cent., would suffice to raise ordinary dividends by about 1 per cent. on the average.

Investors who are not convinced that the efforts now being put forth by British railways to recover lost ground will meet with any success, should confine their attention to the prior stocks in which direction even if the prospect of profit is more limited, at any rate the risk entailed is also reduced.

CHAPTER IX.

POINTS FOR SPECULATORS.

Speculation in Home Railway junior stocks was until a few years ago fairly active from time to time: but year by year it seems to be dwindling out of sight. The change is largely due to the diversion of speculative interest into other channels where the prospect of profit—and, it may be added, the probability of loss—is greater. From the years 1889 to 1896 the junior stocks gradually passed more and more into the hands of permanent investors, and the floating supply of stock became much restricted. Consequently at the present time speculation is practically confined to a few deferred issues, such as South-Eastern, Brighton, North British, and Caledonian.

What the speculator above all requires in the stocks which he selects for his patronage is freedom of market. In the majority of active Home Rails there is always a comparatively free market, though lack of business and restricted speculative interest have certainly resulted in much less freedom of market than used to exist.

Another requirement of stocks selected as a speculative medium is that information regarding the concern on which they are dependent shall be easy of access. What we may term the "vital statistics" of our railways are the weekly traffic returns. Other important information which the careful speculator will always bear in mind is to be gleaned from the half-yearly accounts, and the very

full report of half-yearly meetings which are published in the leading railway journals. The monthly Board of Trade Returns will also be kept in view as a rough indication of the course of railway traffic. Yet another quality which must be possessed by any security before it commends itself to the speculator, is easy "carrying-over" facilities for purchases or sales, and these are generally provided in the more active ordinary stocks.

An important point to bear in mind is that as a general rule the low-priced stocks are most worth the attention of the "bull" speculator in Home Rails, for they generally advance in greater proportion than the stocks which stand at higher prices. For example, an advance of 2 points in North-Western Ordinary Stock is equal to only $1\frac{1}{4}$ per cent. appreciation in the market value of the stock, whereas an advance of 2 points in Great Northern Deferred is equal to an appreciation of about 5 per cent. in market value. Whenever a general advance in Home Rails is looked for therefore, it may be more remunerative to select some of the low-priced stocks.

Experience has shown that whether railways are prosperous or whether they are the reverse, there is a minimum value which is attached to prospective rights. In other words though a dividend may be non-existent and prospects of dividends remote, the stock which is in that unfortunate position will command a market price ranging up to 80 per cent. of its face value, and sometimes even more. As an example take Chatham Ordinary stock. Within the last five years it has fluctuated between $14\frac{1}{4}$ and $28\frac{1}{4}$. It has never earned a dividend, and probably never will: nevertheless it rarely in the worst years commands less

than 15 per cent. Other stocks which for many years have received nothing are District Ordinary, Great Central Preferred and Deferred, East London Ordinary, Brighton Contingent Rights Stock, etc., and the average value put upon these issues, which represent nothing more than prospective rights of a very remote character, is 15 to 20 per cent. Other junior stocks which though not absolutely dividendless, are even in good years only small dividend-earners, generally carry a liberal allowance in the market value placed upon them, which really represents an estimate of their prospective worth.

From some points of view a purchase of the non-dividend stocks as a mere speculation is thus more to be commended than a purchase of more substantial stocks at very much higher prices. If unlooked disasters occur the dividend-paying stocks suffer seriously, not only in income but in capital value as well, whereas the fall in the non-dividend stocks may be much more restricted under any adverse circumstances that may unexpectedly arise.

To both investors and speculators the weekly traffic returns of our railways are a matter of great importance. They represent practically the only official information vouchsafed to the shareholders and the public of the course of business during the period existing between the issue of the half-yearly reports. Formerly the Brighton, South-Eastern, and Great Central issued statements—the two former companies monthly, and the last-named fortnightly, showing besides the gross receipts, the working expenses and net earnings. All of these returns were discontinued some time ago. The Brighton Company also used to issue a daily traffic return, but that, too, has long

ago been done away with. So now all the information available for the outside investor and speculator to go upon are the weekly returns showing the course of gross receipts.

Though not infallible, the weekly traffic returns, bearing in mind that they are after all only estimates, are fairly accurate. They form the basis of the dividend estimates which are so freely formulated from time to time, and which often have an important effect upon the course of prices. It does not appear to be sufficiently understood that railway traffic returns are merely estimates and not actual figures. So many different items contribute to form the gross revenue of a railway that it is practically impossible to give week by week the actual receipts for the preceding seven days. Even the half-yearly accounts themselves are in some respects based on estimated figures.

The following is a general account of the manner in which the traffic returns are compiled. First, the summaries of cash remitted by the various stations representing the receipts from passenger, parcels, and miscellaneous traffic are taken as the foundation of the passenger receipts. Then the actual cash received and increases in amounts "outstanding" in respect of "Goods and Mineral" traffic are taken as the basis of the receipts from these departments. To or from these figures are added or deducted the amounts payable or receivable in respect of Railway Clearing House traffic. The actual figures are only ascertained about a month after date, the settlement of Clearing House traffic being a monthly one. This item is the most difficult one to deal with, and the differences

between the published receipts and the actual figures as shown in the half-yearly reports are generally due to this feature. Through bookings of all classes of traffic between every company are so numerous that the total amounts to be divided by the Railway Clearing House are enormous. It is obviously impossible to estimate more than approximately the amounts due from and payable to the various companies when the figures for any one particular company, even as regards its own receipts on behalf of other companies, are only ascertainable monthly. Then, of course, the other side of the matter is of equal importance—the amounts received by other companies on behalf of an individual company, and they cannot be ascertained until the Clearing House has settled them. Besides, disputes arise from time to time regarding the settlement of Clearing House traffic, and in the event of failure to agree, such amounts are carried by the Railway Clearing House to suspense accounts pending the final settlement. The general method of dealing with this difficult item of Clearing House traffic is to take the corresponding month of the previous year as a basis, and then to make allowance in subsequent returns for over-estimates or under-estimates revealed by the subsequent results of the settlements. These adjustments are often accountable for the erratic movements in the weekly traffics, for not only do the traffics represent the receipts of the week, but they very frequently contain an allowance for previous under-publication or over-publication, and this is why most of the companies publish the adjusted figures. It must be remembered that the object first kept in view by the companies is to make the aggregate publications from time to

time agree as nearly as possible with the ascertained figures. Subject to that the next consideration is to arrange that the weekly publication shall represent as nearly as possible the actual figures for each week. But at the end of the half-year a considerable element of estimate must remain, the actual figures to prove which are in most cases available before the publication of the half-yearly report—hence the frequent discrepancies between published and actual figures.

In addition to the Clearing House traffic, an allowance has to be made for what are called "Private" settlements, that is arrangements made between two or more companies for the division of certain traffic without the intervention of the Railway Clearing House. Further, a sum has to be added for the amount due from the Post Office in respect of Mails and Parcel Post Traffic. The former item is a fixed payment, and may be spread equally over each week, but Parcel Post Receipts have to be estimated, as the Railway Companies receive 55 per cent. of the actual gross receipts, and that proportion has again to be apportioned among the various companies. Further, season tickets, the receipts for which generally come in at the beginning of each month, or at the beginning of each quarter, have to be spread over the whole period, and the weekly amount added. Thus it will be seen how largely the traffic publication is based on estimates. A frank recognition of this fact is indirectly supplied by the action of the North-Western Company, which from the beginning of 1902 has published its receipts in round thousands only, instead of attempting to do the impossible and publish exact figures. Fortunately,

if erring at all, the companies generally err on the right side, for the complaint generally made on a comparison of published with actual figures is that they have under-published, sometimes to a large extent. As a general rule—especially in a period of increasing traffic—it will be found to come nearer the actual result if a comparison is made at the end of a half-year between the published figures and the estimated figures of the corresponding period. In their traffic publications the companies compare estimated with adjusted figures, and as this method does not allow for the growth in Clearing House traffic, whilst a comparison of estimated figures does, the latter plan is often the better one.

CHAPTER X.

RAILWAY RATES AND STATISTICS.

Railway shareholders as a rule do not seem to recognize what a great boon it is to have a uniform and complete system of accounts or they would insist on more details being supplied and a common basis of framing the accounts of the various companies. Under the Regulation of Railways Act of 1868, all the half-yearly accounts of British railways ought to be made up in the same form, and give substantially the same details, so that a fair comparison of the principal items may readily be established. In outline this is done, but in detail the accounts vary very greatly.

More attention to statistics is one of the most crying needs of our railways. It is obvious that the details and the general system of accounts which were applicable to the year 1868 can hardly be suited to the altered circumstances nearly half a century later. Many authorities are of opinion that a revision of the statistics of our railways must be the first step towards substantial reform in the methods of working, and that opinion seems to be a sound one. To Mr. G. S. Gibb, of the North-Eastern Railway, is due the credit of being a pioneer in this reform of British railway administration. In an earlier chapter the vital importance of reduced expenses is set forth, and here it only needs to be explained that the leakages in working

expenditure can best be traced by more detailed statistics, particularly those of ton-mileage and passenger-mileage which are at present absent from railway accounts, and which with one or two exceptions the companies do not prepare even for their own guidance.

The Board of Trade have the authority to compel the preparation and publication of these most important details of railway working, and the time has come when that authority should be exercised.

One important view of this matter has not been set before railway shareholders as it ought to be. Under the Railway and Canal Traffic Act of 1894, the railway companies in order to justify the reasonableness of any advance in rates after 31st December, 1892, have virtually to rely upon their statistics in order to show the Railway Commissioners that an increase in the cost of working has taken place to correspond with the increase in the rates. Attempts to do this have failed dismally, partly because the companies have not agreed upon any common principle in presenting their case, and have thus disproved each others figures, but also because they had to rely largely on mere estimates, as the actual figures to establish their claims had not been prepared. Legal disputes with traders in regard to increased rates have really turned very largely upon statistics and recent decisions of the Railway Commissioners have practically had the effect of rendering the maximum rate powers fixed in 1891 and 1892 useless so long as the companies fail to produce the necessary statistical data.

The position as regards maximum rates is very complicated and yet intensely interesting to all who have at

heart the interests of railways. For an admirable exposition of the law on the subject, and a digest of the decisions given the reader is strongly recommended to consult—" *The Law relating to Railway and Canal Traffic,*" by Edward Boyle and Thos. Waghorn.

In putting forward this view of the case the present writer must not be understood to recommend any general advance in rates. Charging rates which "the traffic will bear" has been the policy of British railway managers in the past, and under stress of foreign competition and the comparatively high level of rates already existing it is probable that the trade of the country would not be able to "bear" any increase. Any attempt to restore dividends by a wholesale advance in rates might very easily react adversely on the railways themselves. The point of the foregoing which needs to be emphasised is that the deliberate policy of the companies has been to endeavour to establish an advance in rates of a sectional character, and that owing to their own blundering they have failed.

Whilst the accounts of most English railways do not give as much detail as is desirable, they are true and straightforward, and make no attempt at dishonest concealment of vital points. They are audited half-yearly; and besides appointing professional auditors on behalf of the shareholders, many companies have an Audit Committee appointed from the latter body, which meet regularly for the purpose of supervising the accounts.

An endeavour will now be made to point out the essential features in a half-yearly report, as at present framed, which indicate the financial position of the company and the changes therein from time to time.

Account No. 1 shows the total amount of share and loan capital authorised by Parliament. It further shows how much has been created in pursuance of resolutions passed by the shareholders, and finally the balance of powers for the raising of capital authorised by Parliament, but not sanctioned by the shareholders. By a glance at the total column of the last section of this statement it can be at once seen what the outside limit of further capital issues is from time to time. The large companies add to this table continuously, for in nearly every Session of Parliament they present one or more bills asking for further capital powers. Account No. 2 is an amplification of No. 1, showing in what form the share capital authorised by the shareholders has been created. It further shows the amounts of each creation which have been actually disposed of and the balance of stock available for issue. This latter information is particularly useful in the case of such companies as the North-Western, Midland, Great Western and others, which are in the habit of selling stock on the market, as it shows the amounts which they may dispose of in this way. To find the actual amounts of each stock issued from time to time, it is necessary to compare the figure shown as "amount received" at the dates required. No. 3 Account is also as regards the loan capital an amplification of No. 1. It contains a statement of amounts of all fixed loans, if any, with the rates of interest, and also the amounts of Debenture stock issued and the rate or rates of interest attaching thereto. No. 3 also shows the balance of borrowing powers authorised but not exercised—shows in fact the available resources for meeting capital requirements by the issue of Debenture stock

in the same way as No. 2 exhibits the available share capital unissued.

An account which is of the greatest importance and which frequently is not given in sufficient detail is the Capital Account (No. 4). This shows the receipts and expenditure during the preceding half-year, and also the total receipts and expenditure to date, on capital account. The totals of the expenditure are shown under a few main heads, such as "Lines open for traffic," "Lines in course of construction," "Working Stock," "Subscriptions to other railways," "Steamboats," "Special items," etc. Receipts also are grouped under "Stock and Shares," "Debenture Stocks," "Loans," "Premiums on Stocks and Shares," etc. The total premiums on the issue of stock received each half-year do not appear elsewhere than in the capital account. But in Account No. 3 the premiums on Debenture stocks alone are generally given separately, and deducting these the balance represents, of course, the premiums received on stocks and shares, so that taking this account in conjunction with No. 2, it is possible to trace from half-year to half-year approximately the prices which the stocks have realised to the company. As already stated, the details of the receipts on capital account are given in the Statements 2 and 3. So the details of the expenditure each half-year which are not given in the capital account are supplied by No. 5, under three main heads—"Land and Compensation," "Works and Engineering," and "Law and Parliamentary Charges." The different lines in hand are enumerated, and the expenditure for the half-year under each head is generally separately stated. Then follows expenditure on working stock some-

times with details of the vehicles constructed, and particulars of "Subscriptions to other Companies," and any items of expenditure such as Steamers, Canals, etc. Generally this account lacks important details, but nevertheless if closely followed it affords an idea of what policy is being pursued with regard to capital charges.

Account No. 6 is a return of the working stock, showing the number of locomotives, carriages, wagons, etc., with the increase or decrease compared with the previous half-year. If this statement showed a falling-off, or did not show an increase proportionate to the expenditure on capital account, then it is pretty clear that the proper charges are not being made to revenue. If, on the other hand, an increase has taken place without any charge to capital then the company is adopting a liberal policy. As a matter of fact several companies show what they term a return of duplicate working stock, giving details of the vehicles built out of revenue, the cost of which might, according to the prevailing custom, have been charged to capital account.

Statement No. 7 represents the company's estimate of further expenditure on capital account, showing the estimated expenditure during the half-year following the date of the report and in subsequent half-years. The figures given are not very reliable owing to the alterations in plans as work proceeds. No. 8 shows the converse—the powers and assets available to meet the further expenditure on capital account. It shows the balance of capital authorised by Parliament but not sanctioned by the shareholders (Account No. 1), the balance of share capital unissued (Account No. 2), and the balance of borrowing powers

unexercised (Account No. 8). To this is added the value of surplus lands or other disposable property, and if the capital account shows a credit balance, that is added also, and the total represents the total available resources on capital account. If the capital account shows a debit balance, as is generally the case, the amount by which it is overdrawn is deducted from the total of the other items with the same result.

Account No. 9 is the Revenue Account, with which shareholders as a rule are fully conversant. It shows the receipts from each description of traffic for the half-year on the one side, and the main items of expenditure on the other, whilst in each case the figures for the corresponding half-year are for the purposes of comparison repeated alongside. The balance on this account is carried to No. 10 (the Net Revenue account). In this account is also brought on the credit side the balance from previous half-year, dividends on investment and credit interest. On the debit side appear all the obligatory charges of the company, such as debenture interest, guarantees, rents, interest on loans, etc., and the balance remaining represents the sum available for dividend. Account No. 11 shows the proposed appropriation of balance available for dividend according to the priority of Guaranteed and Preference stocks, and at the foot the proposed distribution on the Ordinary stock.

Account No. 12 consists of abstracts showing the details of the revenue expenditure upon (a) Maintenance of Way, (b) Locomotive power, including repairs and renewals, (c) Repairs and Renewals of Carriages and Wagons separately, (d) Traffic Expenses, (e) General charges.

Some companies give further abstracts showing the expenditure on Steamboats, Canals, etc. From these abstracts may be gleaned much valuable information, particularly with regard to adequacy or otherwise of the charges made to revenue for maintenance of the permanent way, and the repairs and renewals of rolling stock.

Next comes the Balance Sheet (Account No. 18) showing the current liabilities and assets of the company. On the debit side is shown the net revenue balance (Account No. 10); accrued dividend and interest; balances due to other companies or to the Railway Clearing House; the amounts of insurance, superannuation and pension funds, and of Savings Bank deposits, etc. On the credit side appears the amount by which capital is overdrawn, a sum which may be turned into cash at any time by the issue of stock. Then follows the amount of cash at bankers and securities held by the company. Further credit is taken for the unused materials on hand, and balances due by other companies, by the Clearing House, or by the Post Office, and also for traffic accounts due to the company, and sundry outstanding accounts. The balance sheet throws a good deal of light on the question of further capital issues. The first item to be watched in this regard is the balance of the capital account. If a credit balance is shown and current capital expenditure is not over large, then an issue of capital for a time is improbable. When the balance on capital account becomes a debit and gradually mounts until it exceeds the continuing liabilities of the company, then an issue of capital may be looked for, especially if the work on hand is considerable. Very rarely do our railways take temporary loans, though

latterly they have been rather more commonly resorted to. If they want money they generally issue capital, and they always take care to have plenty of capital powers available.

The next Account (No. 14) is a statement of the mileage constructed, the mileage worked, distinguishing that owned by the company, that partly owned, and that leased or rented. Finally, Account (No. 15) shows the mileage run by the goods and mineral and passenger-train, grouping the two former. This statement is useful as a test of work done, and also of the quality of the management. It is an item which will be closely watched in view of the special efforts being made to reduce expenses. If the mileage run has increased there will probably be a proportionate increase in the locomotive running expenses, whilst an increase in mileage without an increase in receipts is, of course, an unprofitable business. In this connection it is worth noting that whilst an increase in goods and mineral traffic generally entails a corresponding increase in the mileage run, such is not the case with passenger traffic, consequently an increase in the latter is often more profitable than a corresponding increase in goods or mineral traffic. Conversely, a falling-off in goods and mineral traffic may be accompanied by a considerable saving in train mileage and consequent saving in expenses, for the actual running expenses may be put at about 1s. per mile, whilst little saving can be effected when passenger traffic falls off, as it is more difficult to reduce the mileage run.

A special item, whose appearance in the balance-sheet of any railway is generally a financial danger-signal, may be noticed here. "Lloyd's bonds" is the item referred to, and at the 31st December, 1901, it appears in the balance-

sheets of only two important companies, namely, the Great Central and Chatham. The former company was responsible for £2,652,500 on the date named, but Mr. Alex. Henderson, the Chairman, announced at the meeting in February, 1902, that arrangements had been made to reduce their total to £2,000,000. In the Chatham accounts they represented a sum of £191,774 at the end of 1901.

The powers of railway companies to borrow are strictly limited by Parliament, the proportion generally being one-third of the share capital. By the issue of Lloyd's bonds in payment for work done, a company can legally borrow beyond the Parliamentary powers, but it is incumbent on any company issuing them to set out in its half-yearly balance-sheet the amount due in respect thereof. These obligations are practically acknowledgments under the company's seal of amounts due for work done, and are the nearest approximation known to English railway finance, to the "floating debt" of American railways, a phrase which not many years ago was anything but a pleasant one for British investors in the latter, for this item was at the root of those financial troubles which in so many cases ended in receiverships.

CHAPTER XI.

THE LONDON AND NORTH-WESTERN RAILWAY.

As regards revenue the North-Western is by a good deal the largest railway company in this country; in fact it is the largest private corporation in the world, with the possible exceptions of the Pennsylvania Railroad and the United States Steel Corporation, which are rather aggregations of smaller concerns than corporate bodies. The North-Western's gross revenue for 1901 was over fourteen millions sterling, and according to the official traffic returns it is still increasing. Its total capital at 31st December, 1901, exclusive of nominal additions, was nearly 100½ millions sterling. At the present time this capital commands a market value of about 150 millions.

Until a few years ago the North-Western had the largest capital, excluding nominal additions, of any British railway, but in the year 1901 the Midland overtook it in this respect. This was due to the fact that the Midland has spent capital more freely, and also because instead of realizing premiums on stocks it has since the conversion of its prior issues into 2½ per cent. stocks had to place them at a discount, and this tends to swell the capital.

In point of mileage the North-Western has to give way to the Great Western Company. At the 31st December the mileage open belonging to the North-Western Company, or rented by it, was 2,095, and in addition, it works 28 miles belonging to other companies, making a total mileage

of 2,128. In addition it has under construction a further 21 miles. In 1901 the total train mileage run by the North-Western Company was 47,942,480 miles, and it earns more per train mile run than any other large trade line, with the sole exception of the Lancashire and Yorkshire, which serves throughout its system a densely populated industrial area.

The first appearance of the London and North-Western Company was in the form of the London and Birmingham Railway, which was partially opened on 20th July, 1837, just a month after the accession of Queen Victoria, and opened throughout in September, 1838. It was incorporated as the London and North-Western Company on 16th July, 1846. At that date it included, besides the original London and Birmingham, the Grand Junction (from Birmingham to Liverpool), the Liverpool and Manchester, the Manchester and Birmingham, and the Chester and Crewe lines. In 1852, a writer on the position of the company complains that it "fell a few years back into "the error generally committed by railway companies of "amalgamating with numerous other railway companies. "From being a line from London to Birmingham, 112½ "miles, it has become a line or lines of 589½ miles long, "five times its original length." The particular weakness in its management complained of in 1852 has continued in evidence since, for the mileage has increased nearly four-fold since that date. The net result, however, is a consolidated system, which, for its command over the main routes of traffic is certainly not equalled anywhere. Since the date mentioned it has merged into its system the Chester and Holyhead lines on the West, and the

Lancaster and Carlisle on the North, besides numerous smaller undertakings too numerous to mention.

At this point it may be noted that the absorption of small undertakings by the larger railway systems of the country has been continuously in progress and is still proceeding, particularly at the present time in the case of the Great Western. Thus the "community of interest" principle, which in the United States was made the basis of the "boom" of 1901, has in this country virtually existed for many years, though in a different form.

At the present time the North-Western system extends from London in the South to Carlisle in the North, Holyhead in the West, and Leeds in the East, with various branches to important towns and cities, such as Oxford, Cambridge, Peterborough, Northampton, and to South and Central Wales, including Merthyr, Cardiff, and Swansea. Besides the places mentioned it has direct lines to Birmingham, Liverpool, Manchester, Birkenhead; and in fact there are few places of first-class importance in England or Scotland, which are not served either by its own system or by its trains running over the lines of other companies. To Scotland it works in conjunction with the Caledonian Company, and has probably the largest share of traffic between the Metropolis and the South of England and Scotland. Besides this *via* Holyhead it has command of the best route to Ireland. Between the port named and Dublin its own splendid steamers ply at the rate of about half-a-dozen daily each way for goods and passenger traffic. In addition the Irish Mail Steamers of the City of Dublin Steam Packet Company give two services a day in each direction to Kingstown, under a contract with

the Government, which was renewed in 1897 on lines which provided for a considerable improvement in the services. In 1898 the Irish express services were also greatly improved and at last put on a footing of equality with the Scotch. In Dublin the North-Western owns a short line known as the North Wall Extension Railway, which connects its wharves there with the main railway systems of Ireland. In the North of Ireland it owns another railway, the Dundalk, Newry, and Greenore, connection with the last-named place being afforded by the company's steamers from Holyhead.

Of its through traffic that to Ireland is the most profitable on account of the comparative freedom from competition such as is experienced in the case of Scotch traffic. In all the important routes to Ireland the North-Western is directly interested save one—that of the Great Western to the South of Ireland. In the Fleetwood and Belfast route the North-Western is jointly interested with the Lancashire and Yorkshire, with which company it has very close relations generally. In the Larne and Stranraer route the North-Western is also interested as a shareholder in the Portpatrick and Wigtownshire Joint Line.

The North-Western is concerned in numerous other joint lines, including the West London Extension (which forms a connecting link between the North-Western and the four Southern Railways), the Oldham, Ashton, and Guide Bridge, and the Manchester, South Junction, and Altrincham. Both of the latter it controls jointly with the Great Central Company. The North-Western is further interested in the North London Railway Company, holding one-third of the capital of the latter, the

operations of which it controls to a large extent. Several Directors, including the Chairman of the North London, are members of the Board of the larger company.

During 1901 the company carried 86,703,000 passengers, including 1,912,000 1st class, 5,869,000 2nd class, and 79,422,000 3rd class. Although only a very small proportion of its receipts is derived from 2nd class traffic the Board have publicly stated that they do not intend to abolish this class. The more vigorous policy of reducing the fares, first introduced by the South-Western and Great Western Company has prevented as in their case the further decay of the intermediate class, but it is doubtful if the increased traffic secured since that policy was adopted has yielded any profit. Besides the large number of passengers carried the company issued in 1901 104,000 season tickets, its receipts from this source being the largest of any company. From carriage of mails the company also received a sum of £215,000—it being by a good deal the largest letter-carrier in the country.

The traffic of our premier railway being of so varied a character, and its command over the main routes of traffic being so complete, its position is exceptionally strong. For the efficiency of its services it is unsurpassed, and in some respects hardly equalled. Its management is perhaps rather too conservative, but that the line is ably managed, both in the interests of its customers and its shareholders, is beyond question.

For a long time past the company has refrained from outside extensions, and the construction of new lines that has gone on has been practically all for the improvement of existing routes and the consolidation of the system, so

that the energies of the management of this vast undertaking are concentrated on the development of its existing resources and the strengthening of its present position.

As with its traffic so with its finances—in both respects it is in a better position than any large railway in the country. Its reserve power is very large, and there is no doubt whatever that if circumstances demanded, it could fall back on a good many hidden resources that are not available to less substantial companies. We have referred in a previous chapter to the dangerous policy pursued by railways generally as regards their capital outlay. The superiority of the North-Western reflects itself in this important item, and though it is much more free with its capital expenditure than taking all possibilities into account could be wished, it is much more strict in its charges to capital account than most other companies. For years past it has charged nothing whatever to capital account in respect of law and parliamentary expenses, defraying all these out of revenue, contrary to the general practice. Further, the company has built a considerable supplementary rolling stock out of revenue which less wealthy companies would have charged to capital. This stock, which is shown in the accounts as duplicate working stock, amounted at 31st December, 1901, to 507 engines and 2,005 passenger carriages.

In the following tables, the gross revenue, net revenue, ordinary stock, and ordinary dividend of the North-Western for each year from 1880 to 1901 are set out. The figures will be found interesting, not only as an actual record of the results of our premier railway, but also as a rough indication of the experience of British railways in general in the *past twelve years*.

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I.—GROSS REVENUE AND NET REVENUE.

Year.			Gross Revenue from traffic.	Net Revenue.
1889	...	...	£11,207,000	£5,390,000
1890	...	...	11,580,000	5,351,000
1891	...	...	11,779,000	5,288,000
1892	...	...	11,725,000	5,188,000
1893	...	...	11,223,000	4,756,000
1894	...	...	11,610,000	5,180,000
1895	...	...	11,776,000	5,276,000
1896	...	...	12,819,000	5,566,000
1897	...	...	12,679,000	5,522,000
1898	...	...	13,141,000	5,569,000
1899	...	...	13,604,000	5,614,000
1900	...	...	13,884,000	5,308,000
1901	...	...	13,901,000	5,072,000

II.—ORDINARY CAPITAL AND DIVIDEND.

Year.		Ordinary Capital, 31st Dec.	Ordinary Dividend. Rate per cent.	Amount distributed.
1889	...	£38,048,000	7½	£2,805,000
1890	...	38,240,000	7¼	2,769,000
1891	...	38,784,000	7	2,707,000
1892	...	39,482,000	6½	2,558,000
1893	...	39,814,000	5¾	2,144,000
1894	...	40,290,000	6¼	2,515,000
1895	...	40,682,000	6¾	2,591,000
1896	...	40,718,000	7½	2,900,000
1897	...	40,814,000	7½	2,905,000
1898	...	41,388,000	7½	2,941,000
1899	...	42,122,000	7½	2,993,000
1900	...	42,782,000	6¼	2,663,000
1901	...	42,871,000	5½	2,358,000

Gross traffic increased continuously from 1898 to 1901, and compared with 1889 the figures for 1901 showed an advance of nearly 2½ millions. In spite of that the net profit was actually £818,000 less for 1901 than it was for 1889, for the reason that working expenses increased by £8,012,000 in the same period. The ordinary capital during the years 1889 to 1901 had increased by over 4½ millions, which realised an average price of about 180 per cent., according to an investigation of the company's capital accounts made by the writer. The reduction of £818,000 in net profit was supplemented by an addition of about £180,000 to pre-ordinary changes, so the loss to the ordinary shareholders in the sum actually distributed was £447,000. But allowing for the reduction of the dividend from 7½ per cent. to 5½ per cent. on the augmented ordinary capital, the real loss to the ordinary stockholders was £808,000. In brief, the North-Western between 1889 and 1901 spent 12½ millions of money, and added 68 miles to its system, with the result that it secured the satisfactory increase in traffic receipts of 2½ millions sterling. But owing to the phenomenal advance in expenses the ordinary shareholders as the outcome of this enterprise and outlay are, according to the results for 1901, suffering an annual loss of over £800,000! This being typical of the general experience of Home Railway Ordinary shareholders in the last few years, is it surprising that they are seriously concerned about the outlook, and anxious that those in authority should take more active measures to protect their interests, lest even worse things befall them in the future?

For many years the Ordinary stock of the North-Western

Company commanded the highest price of any of the Ordinary stocks of the large companies. During the past decade it has had to give place to the South-Western, the Ordinary stock of which company has for a long time been quoted higher, although both the average and present dividend of the North-Western exceeds the rate paid by the South-Western. This is attributable to some extent to the conversion of South-Western stock.

It will probably be a long time before the North-Western follows the example of the South-Western and other companies in this respect—its policy is too conservative for such a financial innovation as the duplication of its Ordinary stock, but a Trust Company in 1889 issued its own Preferred and Deferred securities against North-Western Ordinary stock, the amount so converted being considerably over a million.

There is one point about the North-Western Company's finance which has only lately received sufficient notice, and that is the large issues of Ordinary stock, in regard to which a change of policy took place early in 1902. From the point of view of the shareholders generally it is certainly desirable that all capital shall as far as possible be raised in the cheapest possible form, without unduly adding to the obligatory charges of the company. During recent years the North-Western and other large companies could have raised all the capital they required at 3 to 3½ per cent. by the issue of Preference stock. Instead of issuing Preference stock, however, the company persisted in raising share capital by the issue of Ordinary stock, and in consequence the company has to pay in the shape of ordinary dividend more for the money so raised than if

it had been raised by issuing Preference capital. Not a pound of Preference stock had been raised since 1888, but during this period the ordinary capital has been increased by $7\frac{1}{2}$ millions, or over 20 per cent.

In February, 1901, $2\frac{1}{2}$ millions of Ordinary stock were created for issue on the old lines, by sales in the market, but the prices ruling during the year were so unsatisfactory that the Board disposed of only a very small amount. At the February, 1902, meeting the Board reversed their policy and put before the shareholders resolutions authorizing £2,050,000 of 4 per cent. Preference 1902 Stock, to be created and issued to stockholders at 125 per cent. This is to be part of an issue to be eventually increased, if need be, to 20 millions, and will rank immediately before the ordinary capital.

The course of issuing Preference stock in place of ordinary capital could not be recommended in the case of all companies. But in the case of the North-Western, North-Eastern, and others, where the Ordinary stock and the average dividends thereon are large, such a course can meet with no possible objection, for whilst by this means capital is raised much cheaper, the security of the Preference stock is not affected, and if the worst comes to the worst—that is to say, if there were a revolution in railway profits—the dividends on Preference stocks are not cumulative, but are payable out of the profits of each year only.

The future of this company depends mainly on the success of efforts to reduce expenses. In this connection it was satisfactory to learn from the Chairman, Lord Stalbridge, at the meeting early in 1902, that the company had built two trains of waggons to carry 20 tons each.

These were constructed at its own works at Crewe, and are made of steel. Important changes are being made at Crewe, with the view of reducing the cost of transshipment and improving the loading of trains. The termination in 1901 of the cartage arrangement with Messrs. Pickford & Co. was also arranged with a view to economy.

An important movement among North-Western stockholders was begun in 1901 by Mr. N. Spens, of the Stock Conversion Company, with the view of securing some co-operation amongst the leading railway companies in regard to the rates problem and the method of combating electric tramway competition, which in London and leading provincial centres is very seriously threatening railway interests. This movement secured a large measure of support, and a committee was appointed to confer with the Board. If attention is directed to economising in the working of passenger traffic on the Northern lines much advantage should accrue.

In the future the predominance of the North-Western in the Irish traffic will probably be threatened by the rival Fishguard and Rosslare route, which is jointly owned and financed by the Great Western and the Great Southern and Western Companies. The latter by amalgamation has by far the largest system in Ireland, and its policy will be to divert English traffic to the new route, rather than send it *viâ* Dublin and the North-Western. As a defensive measure the North-Western early in 1902 took steps to secure at least partial control of the Dublin, Wicklow, and Wexford Railway, which would give it an outlet of its own to the South of Ireland.

An institution which confers great advantages on holders

of British railway stocks, but which does not often come under their notice, is the Railway Clearing House, and as it arose out of the London and Birmingham Railway this is a convenient place to explain its position. The Clearing House was originally designed and established in 1842 to facilitate the settlement of traffic between the London and Birmingham and connecting lines. Now it embraces all the important companies of England and Scotland, whilst in Dublin there is a separate Clearing House for Irish railways. To the existence of this institution and the organisation that has grown around it, must be attributed the comparative freedom of English railways from "rate-cutting," secret commissions, and such like abuses which have such dire consequences as regards American railways. The main duties of the Clearing House are the division of receipts on interchanged traffic, the settlement of disputes regarding the method of division, the settlement of through rates and fares where more than one company is concerned. Besides this it forms a convenient meeting-place for the head officials of the various companies to discuss the various practical and economic questions arising out of railway working, and is made use of for this purpose, regular meetings of managers and superintendents being held; in fact it might be called the Railway Parliament. The great advantages of the Railway Clearing House are that it is impartial in its dealings with the various companies, and that it saves a vast amount of detail labour and consequent expense which would arise if all the companies had to settle their traffic separately. The general principle on which it works is the same as that of the Bankers' Clearing House, each company

settling with it, paying or receiving only the balance due or payable as against its traffic with all other companies who are parties to the clearing system. It works on the basis of a monthly settlement. Since 1850 its proceedings have been regulated by an Act of Parliament, under which it has power to sue and recover through a duly-appointed official any balance due from any company upon simple proof that the Committee have declared the amount to be payable. Further important duties are the tracing of lost luggage, and the settlement of mileage and demurrage of wagons, etc., for each of which there are separate departments.

CHAPTER XII.

THE MIDLAND RAILWAY.

As regards merely nominal capital the Midland occupies the foremost position among English railways. But as regards *real* capital, including premiums, it is second to the North-Western, which has not indulged in "stock-watering" operations to nearly so large an extent as the first-named company.

The total revenue of the Midland Company is also smaller than that of both the North-Western and Great Western, though it runs the latter very closely.

The total nominal capital of the Midland at the end of 1901 was nearly $177\frac{1}{2}$ millions, but of that figure no less than $75\frac{1}{2}$ millions were nominal additions arising from various consolidations and conversions. The principal of these latter was carried out under the Act of 1897. In terms of that Act its 8 per cent. Debenture stock was transformed into a $2\frac{1}{2}$ per cent. issue, and its Preference, Guaranteed, and Rent-charge stocks, then carrying 4 per cent., were also transformed into $2\frac{1}{2}$ per cent. stocks, the holders getting such an amount of the new stock as would yield them precisely the same return as they had previously received. The Act of 1897 also authorised the company to exchange the Ordinary stock for $2\frac{1}{2}$ per cent. Preferred Ordinary and Deferred Ordinary stocks, each £100 of old Ordinary being replaced by an equal amount of each of

the new stocks. The effect of all these conversions was to add over 60 millions to the nominal capital.

An interesting legal dispute arose as to the liability of the Midland Company to pay stamp duty to the Revenue on this increase in "nominal" capital. The company fought the claim made by the Revenue authorities, but the latter substantiated their case before the Courts. The claim was based on a section of the Stamp Act of 1891, which enacted that any increase in the "nominal" capital of any company or corporation should be registered, and that the act of registration should involve payment of 2s. per cent. stamp duty, subsequently increased to 5s. per cent. That an increase in the nominal capital of the Midland had taken place was unquestionable, and the wording of the Stamp Act of 1891 was equally free from doubt, so the Midland found no escape and had to pay nearly £60,000 of stamp duty, and in addition rendered itself liable to heavy penalties for delay. The sum referred to was debited to capital account in the June half-year of 1901.

Notwithstanding the disappearance of its Ordinary stock, and the replacement of the same by the Preferred and Deferred Ordinary issues, a section of its Act of 1897 provides that the company "shall continue to ascertain " and declare their dividends on the amount of Ordinary " stock which would have been entitled to dividend if no " such conversion had taken place." This was inserted partly to guide trustees in carrying out the provisions of the Trustee Act, 1893, and partly to prevent any concealment of real dividends.

The mileage of the Midland is smaller than that of the

Great Western and North-Western Companies. Its mileage open is 2,020. Of this 1,876 are entirely owned by the Midland, and the remaining 644 are owned jointly by it and other companies. The Midland has a large interest in these joint lines, and in fact the amount of its capital invested in them at 31st December, 1901, was over 11 millions. The principal of these is the Cheshire lines, jointly owned by the Midland, Great Central, and Great Northern, each of which has a third interest in the capital and receipts. Another important joint line is the Eastern and Midlands, purchased by the Midland in conjunction with the Great Northern, and in connection with the purchase a sum of £1,200,000 of 3 per cent. Joint Line Rent-charge stock was issued, secured on the revenue of the Eastern and Midlands, and the profits available for dividend on the Ordinary stock of the two owning companies. This amount it should be noted is not included in the capital of either company.

Like the North-Western the main line of the Midland extends in the North to Carlisle. It gets there by quite a different way, however, for on its main line to the North it takes in Bedford, Leicester, Nottingham, Sheffield, Leeds, etc. It also has lines to Birmingham, Bristol, Bath, Manchester, etc. By the Cheshire lines it has a connection with Liverpool and Warrington, etc. By the Somerset and Dorset joint lines, owned and worked in conjunction with the South-Western Company, it has also a considerable mileage in these two counties. In connection with the Glasgow and South-Western and North British Companies, the Midland also has a considerable traffic to Scotland, and also *via* the Furness Railway it has a connection with Belfast and the North of Ireland.

Important harbour works at Heysham are being constructed by the Midland Company, and in its Bill for 1902 power is being sought to acquire steam vessels and work them between Heysham and ports in Ireland and the Isle of Man, whilst maintaining the existing arrangements with the Furness Railway *via* Barrow. Yet another route to Ireland is, therefore, to be opened up in the not distant future.

The total revenue of the Midland in 1901 amounted to over 11½ millions. Proportionately to its total traffic it is the largest carrier of goods traffic in the country, and as regards the total amount of its mineral receipts it occupies quite the highest place.

During recent years the Midland has shown a greater expansion in its gross revenue than any other company. Subjoined is a comparison of its receipts for the years 1889 and 1901 :—

	1889.	1901.
Gross Receipts	£8,331,119	11,362,932
Receipts from Goods and Live Stock..	3,144,484	4,337,318
„ „ Minerals... ..	2,503,161	3,059,026
„ „ Passengers, etc. ...	2,505,748	3,592,503
„ „ Sundries... ..	177,774	374,090

Since 1889 its gross receipts have increased over 3 millions. The nearest approach to this figure in the case of any other company is the increase of over 2½ millions in the case of the Great Western, which represents a smaller relative increase.

The Midland has been very profuse with its capital expenditure for a long time past, and indeed has exceeded

by a great deal the outlay on this account of any other company. Subjoined is shown the total expenditure of the company as indicated by its capital account at various dates, from which may be gathered the rapid increase in its outlay :—

Date.				Total capital Expenditure.
31st December, 1881	...	...	...	£69,208,676
„ „ 1885	...	...	...	76,568,844
„ „ 1889	...	...	...	85,298,819
„ „ 1895	...	...	...	94,825,177
„ „ 1896	...	...	...	96,008,850
„ „ 1901	...	...	...	106,755,488

Since 1889—that is in only twelve years—the addition to the capital of the company, assuming that it was raised at an average cost of $8\frac{1}{2}$ per cent. per annum, represents an addition to the capital charges of the company of £751,000. Last year the capital outlay was over $2\frac{1}{2}$ millions, and at 31st December, 1901, the company estimated a further outlay on capital account of in all £4,995,000, which the accounts show is the limit of the powers to that date conferred by Parliament for the raising of new capital. A reference to Table II. will show that it spent over $19\frac{1}{2}$ millions in ten years, and only added 96 miles to its system.

Undoubtedly with the large increase in the train mileage and revenue of the company, a certain expenditure of capital was unavoidable to enable the company to successfully maintain its position and handle its traffic efficiently. Besides this the Midland Company has purchased from private owners the wagons used on its railway, and this

has involved a large outlay. Since 1881 the total wagon stock has increased from 88,714 to 118,779 at 31st December, 1901, an increase of 85,065, or 252 per cent. Of the wagons at the latter date 15,182 were classed as mineral, and 103,647 as goods wagons. In view of the fact that the receipts from mineral traffic in 1901 were £3,059,000, whilst the receipts from goods traffic were £4,337,000, the disproportion in the number of wagons allotted to each class of traffic may appear strange. The explanation is that a large number of mineral wagons purchased by the Midland Company from private owners have been reconstructed as goods wagons, and are now being used indiscriminately for goods or mineral traffic. It is worthy of note that the company has largely reduced its expenditure on the maintenance and repairs of carriages and wagons during recent years. The following are the amounts charged to revenue in respect of wagons from 1889 onwards :—

Year.	Wagons, Repairs, and Renewals.						
1889	£477,824
1890	470,978
1891	448,016
1892	425,796
1893	341,574
1894	333,906
1895	307,293
1896	305,337
1901	322,905

Since 1889 though the wagon stock has been continuously on the increase, the amount charged to revenue for the

maintenance of that stock has declined almost year by year, until it is now £155,000 below the figures of 1889. It may be, of course, that the expenditure of former years was abnormally high on account of the cost of converting a large section of the wagon stock from minerals to goods trucks ; but this can hardly be taken to be more than a partial explanation of the discrepancy in the figures. Besides, if we go back to 1880, before the purchase of wagons began, it will be found that on its then stock of over 82,000 wagons it charged to revenue an average of about £5 per wagon for repairs and renewals. In 1901 the average charge per wagon was only a trifle more than half that, namely £2 14s. 0d. It is more than likely that the Midland is, through a somewhat roundabout process, deriving a considerable benefit to its revenue from the fact that large sums have been paid out of capital for the purchase of mineral wagons during recent years. It is one of the weak points about the Midland which may react sooner or later on revenue. It is clear that if by a charge to capital it has a large number of new wagons, it may for a time with safety defer the renewals. But the cost of the latter will have to be met in time, and the provision for this contingency should be made, and the state of affairs which the above figures disclose is after all only an illustration of what lavish capital expenditure may easily lead to.

A comparison of the total charges to capital in respect of rolling stock, as shown in Table XII., brings out the fact that the Midland has incurred by far the largest capital expenditure on this item, not only actually but relatively. Its total capital expenditure to 31st December,

1901, was £16,713,000 on rolling stock, and that is exclusive of its payments to joint lines which to some extent cover working stock. Per pound of gross revenue it will also be observed from the same table that the Midland shares with the Great Central the distinction of being at the top with nearly £1 10s. 0d. of capital expenditure incurred on rolling stock for each £1 of revenue. No doubt the fact that the Midland and other companies, like the Great Western, North-Eastern and Great Central, own a large number of mineral wagons, may to some extent account for the relatively high ratios of their expenditure per pound of revenue. It is noteworthy that the North-Western, in this as in other matters, comes out the best, its capital expenditure on rolling stock, besides being the smallest of the "Heavy" lines, bearing a smaller proportion to its gross revenue than any other company.

Out of a total outlay of capital since 1881 of 87½ millions, the Midland has spent on rolling stock over 8½ millions, the expenditure on that item having increased from £7,880,969 on 31st December, 1881, to £16,713,000 on 31st December, 1901. This sum considerably exceeds the total debit to capital account in respect of working stock of any other company. Even the London and North-Western Company, which has a considerably larger stock of engines and coaching vehicles, but only about half the Midland's stock of wagons, showed a total debit to capital at 31st December, 1901, of £10,984,000, nearly 6 millions less than the Midland figure.

In 1901 the Midland Company carried 48,985,000 of passengers, apart from season-ticket holders, and of these all but 1,824,000 were third-class. Its trains ran 47,958,000

train-miles. Second-class was abolished from the Midland trains over twenty-five years ago, this company being the first to do this. It was also the first to run third-class carriages on express trains, and it has always been liberal in its concessions to the travelling public. Sometimes its concessions to the public exceed what is prudent in the shareholders' interests, as happened in 1901. From 1st July the company put on an extended and accelerated train service to Scotland with the effect of adding 456,000 to its train-mileage in the second half of 1901. Previously the company had wisely refrained from entering into the costly struggle for Scotch traffic because it was handicapped by the longest route. This drawback must still operate against it and reduce the profit margin, if any, on whatever traffic this new competition may have secured.

The Midland Company paid its highest dividend of recent years in 1891, whereas most companies reached high-water mark in 1889 or 1896. The rate then paid by it was $6\frac{3}{4}$ on the ordinary, equal to $8\frac{1}{4}$ on the Deferred, that being the best dividend since 1878, when $6\frac{1}{4}$ per cent. was paid. For 1895 the Midland dividend was only $5\frac{1}{4}$, showing a drop of $1\frac{1}{4}$ per cent. compared with 1891, but in 1896 it recovered to 6 per cent., and that has proved to be the highest since 1891. In 1901 it was only $4\frac{5}{8}$ per cent., equal to $2\frac{1}{4}$ on the Deferred. The lower dividend, now paid, compared with 1891 is to a large extent accounted for by the increase in expenses combined with growing capital charges. Subjoined is a comparison of the mineral receipts for various years since 1889 :—

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Year.	Mineral Receipts.
1889	£2,503,000
1891	2,877,981
1892	2,870,676
1898 (strike year)	2,105,890
1894	2,692,857
1895	2,565,821
1896	2,585,684
1901	3,059,026

It will be noted that mineral revenue has not grown at all in proportion to general revenue, the increase amounting to only £550,000 in twelve years out of a total increase in revenue of over 8 millions. Mineral traffic is certainly not so profitable as it was, and it would be interesting to know to what extent the Midland has suffered from the new maximum rates which came into force in 1892. It is curious that its dividends have not been so good since the new maxima came into operation. It was undoubtedly the continued increase in mineral receipts between 1889 and 1891 which enabled the company to go on increasing its dividends in those years, whilst the dividends of other companies were falling.

There is a prospect that the Midland will show a recovery in dividends, and the price of the Ordinary stocks will probably attain a higher level, particularly if economy in train-mileage is enforced, as it should be, and if the company continues to raise capital with ease. The Preferred Ordinary stock yields nearly $3\frac{1}{2}$ per cent., and is a good stock of the class, whilst on an average dividend basis the Deferred Ordinary looks attractive as a speculative investment. One disadvantage of making the Midland con-

version of 1897 compulsory was that it foisted on the holders of the old Ordinary stock a deferred issue which many did not want, and its history has up to the present been summed up in the word depreciation. This is partly due also to the extravagant capital outlays of this company, which are a most serious danger. At the meeting early in 1902 the chairman, commenting on this matter, asked what would happen if the railway shareholders refused to make the necessary addition to capital accounts recommended by the directors. In reply to this interesting query he said the trade of the country would be so hindered that the Government would, perhaps, take over the railways and spend the capital required out of the public purse. It may be added that if the Midland ceased its capital outlay its dividends would probably disappear entirely. Owing to its dangerous policy in regard to capital, its Ordinary stocks are less attractive than those of other "Heavy" lines.

CHAPTER XIII.

THE GREAT WESTERN.

Though third as regards the total amount of its capital, the Great Western is first of British railways in respect of mileage. At the 31st December, 1901, its total mileage was 2,790, including 2,382 entirely owned by it, 241½ miles jointly owned, and a further 216½ miles leased or rented. Its capital, exclusive of nominal additions, at 31st December, 1901, was £87,800,000. Curiously enough this is the only first-class company which has in existence at the present time a large amount of its capital in the form of Five per cent. stocks. Nearly half of its total capital is in the form of 5 per cent. securities; in fact, all its prior stocks, except about 18 millions of Debenture stock, carrying rates of from 2½ to 4½ per cent., are in this shape. The explanation of this is that the Great Western was the last of the great lines which during their career experienced financial difficulties, to emerge completely from them. Its last consolidation scheme, therefore, was only carried out on the basis of 5 per cent. stocks, whilst other large companies took 4 per cent. as the basis. Still the Great Western has improved since to such an extent that it could easily convert its prior stocks into 3 per cent. securities, and it is not improbable that such a conversion will be carried out. As evidence of the splendid credit enjoyed by the company, it may be pointed out that in

1896 it managed to place half a million of 2½ per cent. Debenture Stock at a little over par—the first issue of a stock of that low denomination by a large railway company.

In the early “sixties” the Great Western was earning no dividend at all on its Ordinary stock, and as late as 1868 only 1½ per cent. was paid. From that time there was rapid improvement, until in 1873 the dividend rose to 6½ per cent. It fell off again, however, to 3½ in 1878, and the price also fell to 91½ in that year. From that point there was a further improvement to 6½ in 1883, followed by a decline to 5½ in 1886. With the recovery in railway profits which ended in the high dividends of 1889 the rate was carried up to 6½, which was the highest rate paid in the modern history of the company. For 1895 its dividend was only 5½, and the improvement throughout 1896 raised the dividend for that year to 6 per cent., the same being paid for 1897. In 1898 it had to face the strike of miners in South Wales, and in common with all railways with traffic in that district, its dividend suffered, so that only 3½ per cent. was paid. In 1899 the rate recovered again to 5½ per cent., but has since fallen, and in 1901 was only 4½ per cent.

A very important feature about this company is the much smaller amount of its ordinary capital compared with the other three “Heavy” lines. Consequently an improvement or otherwise in the net revenue has much greater effect on the dividend on Great Western Ordinary stock than the same change would have on the Ordinary stocks of the other lines referred to. This is clearly shown by the subjoined comparison of the amounts

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required to pay 1 per cent. on the Ordinary stocks of the four "Heavy" companies:—

Company.	Amount required to pay 1 per cent. on Ordinary Stock at 31st Dec., 1901.
Great Western	£286,000
London and North-Western	428,000
Midland	393,000
North-Eastern (including new stock)	296,000

Thus it will be seen that for each 1 per cent. of increase in dividend, the Great Western requires a smaller sum than the other three. This applies in the other direction as well, of course, for a decrease in net revenue means a proportionately greater loss of dividend to the Great Western, and it is to this feature the large fluctuations in the dividend already referred to are in the main due.

The Great Western undoubtedly suffered much in former times from the institution of the broad gauge at the instigation of Brunel, and the failure of the latter's model, from a financial point of view, could not have had better proof than the decision come to by the directors of the Great Western to abolish it, which they did in May, 1892. In their report for the half-year ending 30th June, 1892, the Directors said, "The conversion to the narrow gauge of " the broad gauge lines of the company west of Exeter, " 165 miles in length, was successfully carried out on the " 21st and 22nd May last, and the use of the broad gauge " on the company's system has now been entirely discontinued." For a considerable time previous to May, 1892, the Great Western had refrained from increasing its broad gauge stock, having in view the ultimate discontinuance of

the broad gauge. On the 30th July, 1892, the company still had 98 engines, 86 carriages, 51 brakes, etc., and 509 wagons, for conversion from broad to narrow gauge. Before another year had passed, however, the whole of these vehicles were transformed into narrow gauge. The cost of the conversion of the rolling stock and the alteration of the permanent way was, of course, very heavy. To 30th June, 1892, it amounted to £388,775, the whole of which sum spread over a considerable period was debited to revenue.

With the conversion of the Great Western the gauge throughout Great Britain became, with very few and unimportant exceptions, uniform at 4 feet 8½ inches. In 1846, when there was great danger of a confusion of gauges, an Act was passed called "An Act for regulating the Gauge of Railways." It enacted that "after the passing of this Act it shall not be lawful to construct any railway for the conveyance of passengers on any gauge other than four feet eight inches and half-an-inch in Great Britain, and five feet three inches in Ireland." Exception was specially made in the Act, however, of "any railway which is in its whole length southward of the Great Western, or any railway in any of the counties of Cornwall, Devon, Dorset, or Somerset."

The cost of maintaining two gauges which the Great Western had to bear for a considerable part of its system was, of course, a heavy burden, and during later years it had further to meet the additional expenditure arising from the conversion from one gauge to the other. In Table X. is shown the charges to revenue for maintenance of way and repairs, etc., of rolling-stock for the years 1886,

1888 to 1896 inclusive, and 1901. According to the details there given, though between 1885 and 1896 the increase in these items altogether amounted to about £547,000, between 1896 and 1901 the total increased by over £610,000. There would appear to be considerable room for retrenchment in these items.

For many years the Great Western has been absorbing smaller independent lines in its district, and altogether considerably more than a hundred have been absorbed in the last thirty or forty years. Since 1896 it has taken over twenty of such lines, adding over 260 miles to its system. In fact, of its total capital expenditure from 1892 to 1901, amounting to about 15½ millions, nearly 5 millions represented amalgamations.

In 1901 the revenue of the Great Western Company was £11,398,000, or only about £30,000 more than that of the Midland Company.

The Great Western is very largely a passenger line, and whilst in 1901 it derived 47 per cent. of its gross receipts from this source, its actual revenue from passenger traffic was only exceeded by that of the North-Western. From goods traffic the Great Western received in 1901 nearly 8 millions, and from mineral traffic about 2½ millions. The Great Western owns seven small canals, which yielded in 1901, a gross revenue of £15,877. As they cost over £22,000 to work, however, there was a loss on them of nearly £7,000, apart from the interest on the capital invested in them, amounting to nearly £750,000. A further £790,000 of capital was at 31st December, 1901, represented by the dock property of the Great Western, mainly at Plymouth, but what this investment realised in the way

of net revenue does not appear, as the accounts, whilst showing the receipts, do not show the expenses separately. In view of the fact that the gross receipts in respect of this item were only £80,000, it is evident that no adequate return was secured after paying working charges. A sum of £508,000 was further invested in steamboats, but as the expenses only are given, amounting to about £110,000, it is impossible to gather from the accounts what was the net result to the company, although it undoubtedly represents a loss. In spite of this the company has since 1896 incurred a further capital outlay on steamers of £120,000. In the results of its extraneous items such as canals, docks, and steamers, the Great Western amply vindicates the wisdom of the maxim "*Ne sutor ultra crepidam.*"

In 1901 this company carried 80,178,000 passengers, besides holders of season tickets. This number would have been much larger but for tramway competition in short distance traffic near London, Birkenhead, Bristol, etc. The number of first-class passengers was 1,406,000, and of second-class 6,108,000, the remainder being third-class. The receipts from the two superior classes amounted to £945,000, or 17 per cent. of the total passenger revenue. The revenue from the first-class was £811,000, and from the second-class £684,000. This proportion of receipts from first and second-class traffic is higher than in the case of any other large company. Early in 1896 the Great Western and South-Western announced their intention of reducing the second-class fares with the object of encouraging this class of traffic. It had for a long time been recognised that the second-class fares were too high as contrasted with the third-class, in view of the fact that the

accommodation given is very little better, owing to the great improvement in the third-class of late years. So instead of the second-class fares being 50 per cent. higher, the two companies referred to made them only 25 per cent. higher than the third by reducing the rate to about 1½d. per mile. This policy would appear to have been very successful, for it resulted in an increase in the number of second-class since 1896 of 1,400,000, whilst the receipts are up to the amount of £812,000. In 1901 the Great Western trains ran 46,100,000 miles, more than half of which figure was represented by the passenger train mileage.

Whatever its position in the past may have been—and it has certainly had its periods of financial trouble—there is no doubt about the strength of the finances of the Great Western at the present time. Though it has the largest mileage of any company in the United Kingdom, its expenditure on capital account of late years has not been very large in view of the fact that the addition to its mileage owned has been 448 in ten years. It has refrained from the common practice among the large companies of spending large sums of money on “patching-up” existing lines. It is one of the most encouraging features about the Great Western that without further considerable capital outlay it could handle a vastly increased traffic profitably, and probably at the present time there is no other system in the country which has the potentiality of so large an increase in its traffic as the Great Western. At the end of 1895 a scheme was put forward for a new railway to South Wales, which if proceeded with would have practically paralleled the Great Western. But by

timely concessions the Directors of the latter secured the abandonment of the scheme, and as a net result the Great Western applied for and obtained powers to construct a new railway about 81 miles in length, which will eventually shorten the route to South Wales by 10 miles, as well as avoid severe gradients on the existing line. This work is now rapidly approaching completion.

Certainly in recent years the Great Western has spent capital freely, but mainly upon entirely new lines. Two most important and comprehensive plans for extending the traffic of the Great Western are now being carried out, and though millions have already been spent they have not yet reached the productive stage.

The first of these plans comprises the provision of a new route to Ireland. Acting jointly with the Great Southern and Western of Ireland, the Great Western has secured the control of the Fishguard and Rosslare Railways and Harbours Company, which in turn has power to provide a steamboat service between Fishguard in South Wales and Rosslare in the South of Ireland. The Fishguard Company has also absorbed two small railways in the South of Ireland. Funds required by that company are also being provided in equal proportions by the Great Western and Great Southern and Western Companies, who are each authorised by Parliament to subscribe £650,000. As part and parcel of the scheme the Great Southern and Western absorbed in 1901 two smaller railways in Ireland, namely, the Waterford and Central Ireland and the Waterford, Limerick, and Western. This makes the Great Southern and Western by far the largest system in Ireland, as the Great Western is in England. In fact, between them they represent more

than one-sixth of the entire railway mileage in the United Kingdom. When their plans are completed both will undoubtedly favour the new route to Ireland, and the supremacy of the North-Western in that quarter is seriously threatened.

The other important scheme which the Great Western Company has in hand is an extension to the Great Central system, and new lines now in course of construction jointly with that company. Since the Great Central opened its London extension it found itself hampered seriously by the agreement made in 1890 with the Metropolitan Company—an arrangement practically made by the late Sir Edward Watkin. That agreement provided for the use by the Great Central Company of the Metropolitan system from Quainton Road to Baker Street for through traffic. Owing to the obstructive policy of the Metropolitan the Great Central sought for relief, and found it in the Great Western, which obtained powers to provide jointly with the Great Central new lines, which will render the latter entirely independent of the Metropolitan. These new lines now being constructed will leave the Great Central main line to the South at Grendon Underwood, strike across to the High Wycombe branch of the Great Western, and then leave that branch again, and strike across to Acton, from whence a line will connect with the Great Central at Northolt, a few miles from its London terminus. This new line will also have the advantage of providing the Great Western with a new and shorter route to Oxford, Birmingham, and the Midlands. This and other lines required by the Great Central are being financed by the Great Western. It will be seen that both these vast plans are of a bold and enterprising character, and

may yield much benefit to the Great Western when completed.

On the whole the Ordinary stock of the Great Western is certainly one of the most promising of Home railway securities, and one which may be expected to show material improvement in course of time. In the first place, as already pointed out, its Ordinary capital is comparatively small, whilst the company's mileage is by far the largest. So it has the double advantage of a greater area for expansion, with a smaller amount of capital to benefit therefrom, with correspondingly greater effect on the dividend of any improvement in net revenue. It also has less need to spend capital on permanently unproductive works, as it is fully equipped for the handling of a much larger traffic, and a large amount of capital at present unproductive will yield a large revenue when new works are completed. Further, the Great Western is free from competition to a very large extent, and is on very good terms with the only two companies whose competition it has to reckon with, namely, the North-Western and South-Western Companies. In addition, as previously suggested, there is the prospect of a considerable saving in maintenance charges, without "starving" the system. At the end of 1901 its accounts show that it had available for issue at any moment the unusually large amount of 2½ millions of Ordinary stock. By the terms of the resolutions creating these stocks the issue is absolutely under the control of the Directors, and the company may sell stock on the market instead of issuing it by *pro rata* allotment to its shareholders. But as large borrowing powers and a credit balance on capital account existed the Great Western need not issue any share capital for a long time to come.

CHAPTER XIV.

THE NORTH-EASTERN.

Though the North-Eastern is the smallest of the "Heavy" lines, it is a very large and important system nevertheless. It is the largest solely provincial company, but has direct connection with the Metropolis *via* the Great Northern Railway, and the interchange of traffic with the latter is very large. Together with the Great Northern and North British it forms the East Coast Route to Scotland. It is a consolidation of various small lines, which has resulted in a vast network of railway in the North-East of England, without a single intruder in the shape of a competitor. To a large extent it is dependent on the iron and coal trades of Durham and Northumberland. Its line, which runs near the coast of these two counties, is studded with ports, which bring it a large and profitable business.

The Report of the Select Committee on Railway Amalgamation in 1872, gave a remarkable testimonial to the North-Eastern. In referring to the advantages of amalgamation both to the public and to shareholders, it said :—
"The case of the North-Eastern is a striking illustration.
"That railway or system of railways is composed of
"thirty-seven lines, several of which formerly competed
"with each other. Before their amalgamation they had,
"generally speaking high rates and fares, and low dividends. The system is now the most complete monopoly

"in the United Kingdom ; from the Tyne to the Humber
"with one local exception, it has the county to itself, and
"it has the lowest fares, and the highest dividend of any
"large English railway. It has had little or no litigation
"with other companies. Whilst complaints have been
"heard from Lancashire and Yorkshire, where there are
"so-called competing lines, no witness has appeared to
"complain of the North-Eastern ; and the general feeling
"in the district it serves appears favourable to its manage-
"ment." This general satisfaction with the North-
Eastern Company's management still exists, and may be
attributed now as in 1872, to the large representation of
local traders among its directors and shareholders.

No company has latterly been more anxious to serve
public interests by low rates and fares, and improved
methods of working, and in no case have the efforts thus
made met with more success. Mr. G. S. Gibb the present
general manager of the company is well to the fore in
all reforms, and he has the Board of the company entirely
in sympathy with him. As in 1872, it is as successful
in serving its shareholders' interests as those of the public.
In 1900 it paid absolutely the best dividend of the twenty-
seven leading companies as will be seen by a reference to
Table IX. (see Appendix). In 1901, its distribution was
only fractionally below that of two other large companies.

Notable changes are now being made in its methods of
working. In 1901 Mr. G. S. Gibb announced the decision
of the company to prepare regularly ton-mileage and
passenger-mileage statistics, with the view of substituting
those particulars for the old train-mile test of efficiency
in railway working. This, he believes, will help to secure

higher efficiency and economy. As a first and most important step in the direction of putting the knowledge thus obtained to practical use, the North-Eastern Board have re-arranged the staff of the company. The re-organisation separates the commercial branch from the technical branch of railway working. Thus, the former will apply itself to look after public requirements, and the technical department will deal solely with the actual working of traffic. Greater efficiency in both departments is very reasonably anticipated, and it is an example well worth following. Larger waggons and more powerful engines are also being constructed with the view of increasing the train-load and saving train-mileage, &c. It is essential for the success of these most laudable efforts, that the North-Eastern shall be supported by traders and private owners of waggons, sidings, docks, &c., served by it. And as the latter recognize that success will mean reduced rates, they are in the main favourably disposed towards these reforms.

The mileage of the North-Eastern at the end of 1901 was 1,656 miles. Its total capital was £67,545,000, having been consolidated under its Acts of 1870 and 1895, in terms of the former of which the present Ordinary stock, known as North-Eastern "Consols" was created. Taking its average dividend since creation in 1870, the record of this stock is the best of any of the large railways, though like other companies it has not been able in recent years to attain to the high dividends of its earlier years. The dividend for the first year of the stock's history was $7\frac{1}{2}$ per cent. In 1878 it was as high as $9\frac{1}{2}$. The lowest dividend ever paid on it was $4\frac{1}{2}$ in 1892; but that was an exceptionally adverse year, on

account of the Durham Coal Strike in the first half, when the North-Eastern lost nearly £500,000 of gross revenue. Since then the dividend rose to 6½ in 1899, though for 1901 it was only 5½.

The total revenue of the North-Eastern Company in 1901 was £9,118,000. Of this sum £2,960,000 was in respect of goods and live stock traffic; £2,870,000 in respect of mineral traffic; and £3,008,000 in respect of passenger, etc., traffic. To earn this revenue its trains ran in 1901 a total mileage of 81,579,000, the average earning per train-mile being 5s. 9·3d. In 1888 the company ran only 24,485,000 train-miles, but its average earning per train-mile in that year was 5s. 5½d.

It will be noted that the revenue of the North-Eastern is about equally divided between goods, passenger, and mineral receipts. Its profits and dividends, however, fluctuate, mainly in relation to its mineral traffic. If the latter is larger, the profits are larger, and better dividends are paid than when the mineral traffic is poor. Subjoined is a comparison of its mineral receipts for the last thirteen years :—

Year.	Total Mineral Receipts.
1889	£2,418,494
1890	2,608,270
1891	2,494,544
1892 (Year of Durham Strike) ...	2,089,829
1893	2,488,769
1894	2,480,189
1895	2,890,519
1896	2,529,000
1900	8,057,000
1901	2,870,889

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The following is a comparison of the three main items of revenue for 1890 and for 1901 :—

Traffic.	1890.	1901.
Goods	£2,885,546	£2,960,000
Mineral	2,608,270	2,870,000
Passenger	2,150,277	8,008,000
Total, including sundries ...	7,287,257	9,118,000

It will be noted that passenger traffic has grown most rapidly, namely, by £858,000, and now forms the most important item. As a net result, since 1890 the aggregate revenue has increased by about £1,831,000. But in the same period expenses have grown to the extent of £1,872,000, so that net receipts were in 1901 about £41,000 lower than those of 1890.

One of the strongest points about the North-Eastern is the excellent provision it makes out of revenue for the maintenance of its permanent way and the repairs and renewals of its rolling-stock of all kinds. This is a point in connection with a railway to which investors do not as a rule pay sufficient attention. But it is of the utmost importance as affecting the permanent prosperity of any railway. The starving of the road and rolling stock has before now brought various English railways into low water, and at this moment it seriously threatens others, for a policy of this character must sooner or later end in a collapse. For the most part railway shareholders have to rely on the certificates given each half-year by the officers responsible for the up-keep of the permanent way and rolling-stock, published with each half-yearly report.

But a diligent examination of the reports from time to time will reveal a good deal.

In the case of English railways it is very difficult to draw the line between what are revenue and what are capital charges, and the decision in a great many cases where the circumstances are otherwise similar, will depend a good deal on the financial condition and policy of each company. With an open capital account the danger of diverting revenue charges thereto is an ever present one, and one of the easiest possible methods of doing this is by making inadequate charges against revenue for the maintenance of the road and rolling-stock. Taking as a test the charge to revenue per train-mile for this class of expenditure, it will be found that invariably the least prosperous companies make the worst provision for the maintenance of their system; whilst the companies paying the largest dividends make the best provision for this important feature. The relation is so close that the idea that the poorer companies are able to provide the same amount of work at a lower cost is absolutely precluded.

The average charge per train-mile for the maintenance of way, the repairs and renewals of locomotives, carriages and wagons is rather over a shilling. Some companies do not charge to revenue more than 9d., and a few even less. But companies such as the Great Western, Lancashire and Yorkshire, North-Western, etc., stand out well, and the North-Eastern for many years has stood quite at the top. In Table XI. is shown for each year since 1888 the gross revenue and expenses per train-mile of the North-Eastern Railway, and also the amount per train-mile charged against revenue in each year in respect of

maintenance, etc., included in the working expenses, From that Table it appears that this company throughout the eighteen years ending with 1901, charged to revenue an average of 16 pence per train-mile, which is quite threepence, or 25 per cent. above the usual rate. It is evident that in this respect the North-Eastern has a considerable reserve of financial strength. The satisfactory character of this expenditure is reflected in the considerably larger proportionate addition to rolling-stock, especially locomotives, during recent years, than the addition to capital expenditure on these items.

In the ten years to 30th June, 1901, it is also important to note that the North-Eastern made a smaller addition to its capital charge for new rolling stock than any other company, the addition representing in fact less than 2 per cent. per annum, equal to half the rate of increase in revenue.

In Table II. the North-Eastern is shown as having expended during the ten years ending with 1901 a sum of £11,163,000 on capital account. But this includes 2½ millions expended in the second half of 1893 for the purchase of the property of the Hull Docks Company, and loans of that company taken over. The purchase was carried out by the issue of North-Eastern stocks to the holders of the securities of the Dock Company. In the interest on the Debenture and Preference stocks of the latter a considerable reduction was made, owing to the superior credit of the North-Eastern, whilst for each £100 of the Dock Company's Ordinary stock there was issued £80 of North-Eastern Consols, then worth about £48.

In furtherance of their provision for the needs of Hull,

the North-Eastern agreed in the autumn of 1895 to a proposal for amalgamation with the Hull and Barnsley Railway, which owns a large dock area at Hull. The North-Eastern Directors in their report for the half-year ended 31st December, 1895, said :—" The subject of Dock "and Traffic facilities at Hull has occupied the attention "of the Directors during the half-year. In looking at the "question of the best manner of affording increased "accommodation for the traffic of the port, the Directors "decided in conjunction with the Directors of the Hull "and Barnsley Company to deposit a Bill for the amal- "gamation of the undertakings of the two companies, "believing that such an arrangement would enable the "existing accommodation to be utilized and developed "to the fullest extent. The Directors of the Company "and the Directors of the Hull and Barnsley Company "subsequently had a conference with the Parliamentary "Committee of the Corporation of Hull, whose consent "to the amalgamation the companies desired to obtain. "At that conference the amalgamation proposals were "fully explained, but as the time available before the "Committee stage of the Bill for the full discussion of "the measure was felt to be too short, the promoters "intimated that they did not intend to proceed further "with the Bill." So that though notice was given of intention to bring in a Bill, and the terms of amal- gamation provisionally arranged between the two companies, the matter was dropped. The reason in plain language was—that opposition in Hull was very strong, and the North-Eastern did not care to run tilt against public opinion there. No doubt it would be much better

for all parties that the North-Eastern should acquire the Hull and Barnsley, as the financial condition of the latter is such that it certainly cannot make the most of its position.

As amalgamation with the Hull and Barnsley does not for the present appear to be within the range of practical politics, the North-Eastern Company have very wisely set about the development of the resources of Hull jointly with that company, under powers contained in the Hull Dock Amalgamation Act of 1898. When the Hull Docks were taken over by the North-Eastern Railway considerable powers for extending them had been unexercised because of the poor financial position of the Docks Company.

On the 1st November, 1895, the shareholders of the North-Eastern passed resolutions authorising the issue of £1,875,000 of Ordinary stock, to be allotted to themselves at 50 per cent. premium. This stock was paid in four equal instalments, the last of which fell due on 1st July, 1897.

In November, 1899, yet another issue of £1,540,000 of North-Eastern Consols was also created and subsequently issued *pro rata* at 150 per cent., whilst again in May, 1901, a further issue of 2½ millions was authorised, also to be issued at 150. Only about one million of this was taken by the shareholders as the price proved to be too high.

The issue of stock by allotment to the shareholders *pro rata* is perhaps on the whole preferable to the sale of large amounts on the market, but it is far from an ideal mode of raising capital. A much better method would be to put the stock up for public tender, as several large companies other than railways do. This would secure the

best price without necessarily weakening the market, as invariably happens as a result of either of the other methods.

Had the stock been issued publicly, the price obtained would probably have been higher than the figure actually realised. More capital is required in the next year or two, and its Bill of 1902 seeks authority to raise £1,200,000. It is a pity the company does not issue Preference stock as it would help the market for its Ordinary stock in the future.

Owing to its liberal revenue outlays on maintenance, and the efforts of the management to introduce economies which promise to be in some measure successful, North-Eastern Consols are an attractive investment, and one of the most promising of Home Railway Ordinary stocks. The rapid development of its passenger business is a very good feature, and though the coal and iron trades in the North of England may suffer reaction, the steady development of other business is a healthy sign.

CHAPTER XV.

THE GREAT NORTHERN.

Of all English railways the Great Northern is, perhaps, the one most deserving of pity. It is on the whole well managed, its services are a model of efficiency, and its traffic is plentiful, and yet it earns only a moderate dividend for its shareholders. This dividend, too, has fallen off sadly in recent years, and since 1899 the deferred distribution has entirely vanished. The reason for the comparatively small dividend paid by the Great Northern, which in 1901 was equivalent to only 3 per cent. on its original Ordinary stock, is mainly the severe competition to which it is subjected on every hand—a competition which is probably more severe than in the case of any other large English railway, and has, of course, increased since the Great Central line to London was opened. This competition tells not in diminished receipts, but in its high rate of working expenses. To hold its traffic the Great Northern has to be very generous in its facilities to the public in the way of speed and accommodation. With the North-Western, Great Central, and Midland on the one side, and the Great Eastern on the other, it has to strain every nerve to hold its own. The effect of this competition is shown by a comparison of the figures of 1885 (which was itself a decidedly bad year) and 1901, as regards gross revenue and working expenses as set forth in the company's accounts each half-year.

1st Half-year.

	1885	1901
Gross Revenue	£1,775,537	£2,697,841
Working Expenses	1,057,047	1,889,049
Gross Earnings per train	s. d.	s. d.
mile	8 10·4	4 2·1
Net Earnings per train		
mile	1 7·2	1 8·1
Dividend...	8 per cent.	*2½ per cent.
Ratio of Expenses to		
Receipts	58·64 per cent.	69·86 per cent.

2nd Half-year.

Gross Revenue	£2,084,630	£3,042,871
Working Expenses	1,108,546	1,989,821
Gross Earnings per train	s. d.	s. d.
mile	4 1·8	4 4·9
Net Earnings per train		
mile	1 10·9	1 6·5
Dividend...	6 per cent.	† 8½ per cent.
Ratio of Expenses to		
Receipts	58·56 per cent.	65·09 per cent.

From the above it will be seen though gross receipts have shown satisfactory expansion, net receipts have not grown in proportion, the ratio of expenses to receipts having risen very considerably. The result has been a falling-off in the net earnings per train mile, and a considerable decline in the dividend on the Ordinary stock even compared with the poor year 1885. Out of an increase in

* £60,000 taken from Contingent fund.

† £20,000 applied to reduce Suspense account.

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gross receipts of £1,980,000, no less than £1,718,000 was absorbed by additional expenses.

Of its total revenue for 1901—which by the way was nearly the largest in the history of the company, having been 5½ millions—the receipts from goods traffic amounted to £1,789,000, and from mineral traffic to £956,000, whilst from passengers, which is the most important source of revenue of the Great Northern Company, the amount received was £2,088,000. From joint lines the Great Northern also receives a large revenue, as it has invested as its share in these concerns 7½ millions. Subjoined are the gross receipts, working expenses, and net revenue for 1901, of the joint lines in which the Great Northern has an interest :—

Period.	Gross Receipts.	Expenses.	Net Revenue.
1st half, 1901 ...	£407,087	£297,922	£109,115
2nd half, 1901...	459,603	319,628	139,975
Year, 1901 ...	866,640	617,550	249,090

The working expenses of these joint lines are very high, having been in 1901 over 70 per cent. of the gross revenue. The net revenue is, therefore, relatively low, representing a return of only about 3½ per cent. on the capital involved.

During 1901 the number of passengers carried of all classes was 88,755,000. The receipts from 1st class amounted to £192,000 ; from 2nd class to £23,000 ; and from 3rd class £1,808,000. Provision for the intermediate class was abolished from the Great Northern system some time ago, except as regards local trains in and around the Metropolis.

The Great Northern has a very important season-ticket revenue, this item having yielded the company a sum of £196,000 in 1901, or £53,000 more than in 1894. This is an item which, in the case of this company has increased rapidly for many years past, and will probably continue to increase.

At 31st December, 1901, the total capital of the Great Northern Company was £48,722,000, including Ordinary stock amounting to £16,868,000. The total nominal amount of the Ordinary capital at that date was, however, about 20½ millions. The Ordinary stock is really made up of four distinct securities as follows :—

	Amount.
" A " Stock	£1,159,275
" B " Stock	1,159,275
Preferred Converted Ordinary Stock	10,908,886
Deferred Converted Ordinary Stock	7,272,254
Total... ..	£20,499,190

There is thus a nominal addition through the conversion of the Ordinary capital of about £3,686,000 arising from the Great Northern Capital Act of 1890, which authorised the addition of that amount to the nominal total of the Ordinary stock in its converted form.

The " A " and " B " stocks were originally issued as half shares of each denomination under a special Act of 1848, the amounts then being £12 10s. 0d. each. Under that Act the " B " half-share was entitled to 6 per cent. in preference to the " A," it being also provided that the

interest on the "A" and "B" together should not exceed the amount paid on the undivided shares. It was held by the Court that the "B" half-shares were in fact entitled to a cumulative dividend of 6 per cent. in preference to the "A" half-shares, so that if the profits of any one year were insufficient to meet the 6 per cent. the deficiency would have to be met out of the profits of subsequent years. The option to divide the original shares in this way expired in 1861, and the amount of ordinary capital now existing in this form represented by the "A" and "B" stock is £2,818,550. The value of this cumulative right of the "B" stock is reflected in market values, for though otherwise having similar security to that of the Preferred Converted Ordinary stock, its price, making allowance for the difference in the dividend, is generally higher than the latter. The corresponding disadvantage in the position of "A" stock, arising from the fact that it has a cumulative charge ranking in front of it, is also more fully represented in its price, as compared with the Deferred Converted Ordinary than formerly, for it now stands five points lower. The "A" stock is from several points of view a very undesirable holding, particularly on account of this feature. Besides being relatively high, owing to the fact that the cumulative charge in front of it is not fully allowed for in the quotation, the market in it on account of the smallness of the issue is a narrow one. On the basis of recent dividends the margin over the Preferred dividend has entirely disappeared, and the possibility that a further fall in profits will bring into play the cumulative right of the "B" stock, is certainly one which, in considering the position of the "A" stock, should be taken into the reckoning.

The Great Northern Preferred and Deferred Converted Ordinary stocks arose out of its special Act of 1890, whereby each £100 of the original Ordinary stock was transformed into £75 of Preferred Converted Ordinary stock and £50 of Deferred Converted Ordinary. Under the same Act its Debenture stocks were consolidated into a 8 per cent. security. In 1890 the conversion of Ordinary stocks was quite in the fashion, the Caledonian and South-Western, besides a smaller company, having obtained the necessary powers from Parliament in that year. The Great Northern in its endeavour to keep up with the times rather stultified itself, and it is admitted on all hands that the conversion scheme of this company had much better not have been carried out, at any rate in the form in which it went through. The weakest point about it was that it made conversion compulsory on the part of every ordinary shareholder, whereas the other schemes gave the option to every shareholder to divide his stock. Another weak point about it was, that as it only increased the nominal amount of the Preferred to the extent of 25 per cent. of the original capital, and did not increase the nominal amount of the Deferred portion at all, it left each £100 of the latter stock to represent £200 of the old Ordinary stock. Consequently the fluctuations in dividends and in price were, as a result of the scheme, twice as large as they would have been in the same circumstances as regards the original security.

Under the Act of 1890 referred to, the Great Northern obtained powers, up to the present unexercised, to convert the existing £1,159,000 of "A" and "B" stocks into proportionate amounts of the newer Preferred and Deferred

stocks. The proportions would be £150 of 4 per cent. Preferred Ordinary for each £100 of "B" stock, and £100 of Deferred for each £100 of "A" stock. Whilst, however, this exchange would give the holders of the "B" stock an equal amount of dividend to that at present received, secured on the year's revenue only, holders are not inclined to exchange in consequence of the cumulative charge. Such an exchange would entail a loss on the holders of the "B" stock in security and market value.

The Great Northern has been very free indeed with its capital expenditure for a long time past, and this feature has, without doubt, contributed very largely to bring about the decline in its dividend during the past few years. In the ten years to 31st December, 1901, the company expended in all £10,946,000, or over 28 per cent. increase, on capital account. Most of this expenditure has gone to widen lines, for new rolling stock, and, generally, for additions to the existing system, and therefore does not add proportionately to the earning power of the company. Only 52 miles were added to the system in the ten years. In recent years a considerable amount of capital outlay has been in progress, to enable the Great Northern to hold its own in Lancashire and Yorkshire, in view of the fact that it no longer has the Great Central Company as its ally and collector of traffic in those districts, but as a competitor. It is to be feared that the expenditure on capital account by the Great Northern Company will be somewhat large for some time to come. During 1901 it amounted to £914,000.

Since 1896 an important change in the financial policy of the company has been observed, which has mitigated

the adverse influences of the heavy capital expenditure it is incurring. Large additions were made to the Ordinary stock in the form of Preferred and Deferred during the decade previous to 1896, in order to provide the necessary funds. The result of the frequent issues of this stock was that its Ordinary capital at the end of 1896 bore the largest proportion to its total capital of any important company, with the exception of the North-Western and North-Eastern. It had been frequently urged upon the company that the issue of Preference stock was a cheaper mode of raising money, and one which did not subject the holders of Deferred stock to repeated declines in value. In 1896 it was determined to make this change, and in August of that year a resolution was passed creating £2,440,000 of 3 per cent. Preference stock, all of which has since been issued; and, in addition, 2½ millions of 1898 Preference has been issued.

Early in 1902 the company also offered, at the price of 90 per cent., £750,000 of 3 per cent. Preference 1899, part of an issue of 1½ millions. Thus, in all, the company has created nearly 6½ millions of 3 per cent. Preference since 1895.

For some time the Great Northern has felt the need of extended facilities for its suburban traffic, which has grown so enormously within the last twenty years. In fact its traffic around the Metropolis has quite outgrown the facilities for it provided by the company, and the absence of extended provision threatened to check the natural growth of this remunerative business.

Under the Great Northern and City Railway Act of 1892, powers were obtained for the construction of a rail-

way $8\frac{1}{2}$ miles in length, from Finsbury Park to Finsbury Pavement, which would provide an independent line right into the heart of the City. This line is nearly completed, and power is being applied for to extend to the north side of the Bank, and to construct a circular subway there on the same lines as that provided by the Central London. An important agreement with the Great Northern has been arranged, in terms of which that company will construct an underground station beneath the existing Finsbury Park station, and lease it to the Great Northern and City Railway, at an annual rent covering interest on cost of the station and connecting line, estimated at £325,000. An agreement has also been come to with the Great Northern and Strand Railway and the Brompton and Piccadilly Circus Railway, providing for the construction of a direct line from Finsbury Park to Brompton. For the accommodation of this line a second underground station is to be provided at an estimated cost of £145,000, which is also to be leased at a rental to cover cost of the construction. Thus the numerous suburbs of the North of London served by the Great Northern will be connected, *via* Finsbury Park, with the City on one hand and the West End on the other, to the great relief of the existing lines south of Finsbury Park.

The Great Northern was in danger of suffering more, perhaps, than any other company from the competition of the Great Central Company, after its London extension was opened for traffic. From free competition the Great Northern would not have had a great deal to fear, but the

Great Central had formed a valuable gathering ground for traffic for the Great Northern system, and a large interchange of traffic took place between them. It has survived the new competition with much less damage than had been generally expected. The Great Northern has the North-Eastern and Lancashire and Yorkshire Companies to serve, and it is more than likely that one day it will be merged in the North-Eastern system.

For 1900 and 1901 no dividend has been paid on the Deferred stock, and but for a draft of £60,000 on the Contingent Fund in the first half of 1901 the preferred dividend could not have been paid in full. In 1889 the Deferred received $8\frac{1}{2}$ per cent., and from 1896 to 1898 $2\frac{1}{2}$ per cent. was paid. It is probable that this stock will be one of the earliest to recover at least part of its former distribution, but it should not be overlooked that, at the end of 1901, there still remained £70,000 to be provided out of revenue in order to wipe out the Renewal of Permanent Way Suspense Account.

Early in 1902 a new invention in the mechanism of the locomotive attracted a great deal of attention, in the hope that it may lead to economy in working. As it was being tested by the Great Northern it will, perhaps, be useful to reproduce the chairman's remarks at the meeting of that company in February, 1902. According to the official report he said: "This invention was brought to the notice of our locomotive superintendent. He had this invention applied to one of his engines, made sundry experiments, and kept records. . . . He was sufficiently satisfied with the first experiment to

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" determine to apply it to five more engines. . . .
" We hope there may be some value in it, and if it proves
" to be of the value which its inventor thinks it possesses,
" of course it will effect considerable economies, and no-
" body will be more glad than the Great Northern Railway
" Company."

CHAPTER XVI.

THE GREAT CENTRAL.

The Great Central Railway, formerly a provincial railway with no particular objective point, and altogether a very straggling system, has now become a trunk-line from London to the Midlands, and Lancashire and Yorkshire. The new line has added about 100 miles to the Great Central Company's system, and in addition it has running powers over the Metropolitan Company's line from Quainton Road to within a short distance of its London terminus at Marylebone.

The work of constructing the new line to London involved a very much larger outlay than was anticipated, and the difficulty of raising the money has left its mark on the financial position of the line for all time. Besides costing many more millions than the original estimate, the new line has completely failed to earn that revenue which was expected. Details are lacking, but it is more than probable that to date the new mileage has no more than paid its own working expenses, leaving the capital of the original undertaking to bear the burden of the cost of the additional funds found necessary to complete the London Extension. The line was only opened for all classes of traffic from April, 1899, and as it traverses for the most part new districts, the process of developing traffic is necessarily rather slow. On this development, however, the future of the company very largely depends.

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At the 31st December, 1901, the total mileage of the Great Central Company then being worked was 665 miles. Of this mileage 465 belonged solely to it, and 200 were jointly owned with other companies. In addition this company owned 111 miles of canals and tramways.

The joint lines of the Great Central Company form a very important part of its system. Below are given net receipts of these for the year 1901 :—

Joint Line.	Net Revenue.
Cheshire Lines	£70,895
Manchester South Junction and Al-	
trincham	89,281
West Riding and Grimsby	40,727
Sheffield and Midland	86,515
Oldham, Ashton, and Guide Bridge (loss)	4,622
Macclesfield	5,817
North Wales and Liverpool	1,559
Total	£189,622

As the capital of the Great Central invested in these joint lines was over seven and a half millions, the return represented by the above net revenue was only a little over 2½ per cent. in 1901.

In 1901 the total revenue of this Company was over 8½ millions. Of this sum the largest item was goods and live stock, representing over 81 per cent. or £1,062,000. Next came mineral receipts amounting to £959,000, or 28 per cent. The revenue from passengers, parcels, etc., was £904,700, and miscellaneous receipts,

including the net revenue from the joint lines, the traffic of which is not classed, came to £494,000. During 1901 the Great Central Company carried 18,947,000 passengers, all but 851,000 of which were third class. The latter figure represented the first class, the intermediate class having been abolished by this company many years ago.

Besides its joint lines and canals, the Great Central owns docks and steamers. The net revenue from these undertakings in 1901 was as follows:—

Canals	Loss	£10,480
Steamers	Profit	19,718
Docks	„	29,250
Total Profit... ..		£38,538

The total capital represented by these undertakings is over 4½ millions, so that the return in 1901 was only ½ per cent. on the money invested.

Altogether the Great Central Railway has not had a prosperous career, and since the London line was opened, instead of showing better results, it has shown worse. The following is a record of its average results from 1870 to 1899, the year the London Extension was opened:—

Period.	Average dividend on Old Ordinary Stock.		
1870-4	£2	6	6
1875-9	2	11	0
1880-4	2	11	6
1885-9	2	2	0

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Period.	Average dividend on Old Ordinary Stock.					
1890-5	£1	7	0			
Year 1895	0	17	6			
„ 1896	1	5	0			
„ 1897	0	15	0			
„ 1898	0	5	0			
„ 1899	nil.					

Though never very large it will be seen that the dividends had been on the descending scale for the thirty years previous to the opening of the London line. The highest dividends paid by the Great Central Company were $3\frac{1}{2}$ in 1872 and $8\frac{3}{8}$ in 1889.

Having regard to the comparatively unsatisfactory condition of the company as disclosed above, it is hardly to be wondered that the directors sought from time to time to improve it by opening up new sources of traffic. During the past twenty years a great deal has been done in the way of extensions, but it is doubtful if these have not aggravated the evils they were intended to remedy. The late Sir Edward Watkin, formerly chairman of the company, was very bold in his designs for the improvement of the Great Central Company's position. Under his control it emerged from the position of a second-rate provincial railway into a trunk line. Extensions southwards were first made a few miles at a time, so as not to arouse the suspicions of its ally, the Great Northern. Extensions and agreements were planned to the North of Lancashire, and to Southport, Blackpool, etc. On the other hand the Wirral Railways were purchased jointly with the Wrexham, Mold, and Connah's Quay, whereby

via a new line from Chester to Connah's Quay over the Dee Bridge, a new route was opened up to North and Central Wales. In 1889 a Traffic Union was formed, embracing no less than nineteen companies, the Great Central among them, for the purpose of linking together the very disconnected and financially dilapidated railways serving those districts, and for developing the traffic. To complete the chain the Wrexham and Ellesmere line was necessary, and this was constructed and opened for traffic in November, 1895.

With its extensions in various directions it was hardly a matter for surprise that the Great Central became ambitious of being Metropolitan. And by gradually creeping southwards to Annesley it was only about 90 miles from Quainton Road, to which place the Metropolitan Railway, also under Sir Edward Watkin's guidance, was by the acquisition of the Aylesbury and Buckingham line, extending. So in 1890 the extension to London was being publicly discussed, and notice was given in the autumn of that year of the intention of the then Sheffield Company to bring in the necessary bill. The announcement was, of course, a blow to its ally, the Great Northern. The relations of the two companies were very intimate for many years, several important traffic agreements existing between them. Most important of the latter was the one of 1860, for a term of fifty years, whereby each company was bound to forward all unconsigned traffic over the line of the other where possible, and in consideration of which the Great Northern paid for a long time large bonuses to the Sheffield. Under the circumstances the Great Northern were quite justified in opposing the bill, and

largely as a result of this the scheme was rejected. Other causes for the downfall of the measure were the difficulties connected with the site of the London terminus, and the fact that the Sheffield had at the time large capital powers already conferred, but unexercised.

Not to be defeated the Board announced their intention of reintroducing the Bill in the following Session, which they did. Meanwhile an arrangement was arrived at with the Great Northern, in terms of which the latter was debarred from appearing in opposition to the Bill, but secured very wide running powers. This time the application to Parliament proved successful, and in the spring of 1892 the measure passed both Houses, though owing to the dissolution of Parliament it did not receive the Royal assent until 1893.

Under the London Extension Act the company was authorised to raise £6,200,000 of share capital, and £2,066,666 in loans, which proved to be very far short of actual requirements. The period allowed for the completion of the work was five years from 28th March, 1893, subsequently extended.

In the report issued early in 1896, the following was contained: "Having regard to the fact that the present name of the company will not when the Extension to London is opened, accurately describe your system of railway the Directors are of opinion that in all the circumstances, the title Central Railway will be a suitable designation, and authority is therefore being sought in the ensuing Session to adopt this alteration." At the General Meeting held subsequently it was determined, however, in order to avoid confusion of initial

letters with other companies to change the name to "Great Central Railway." Thus the Manchester, Sheffield and Lincolnshire Railway, became the Great Central.

In June, 1894, the company offered to its shareholders £4,200,000 of the London Extension Stock. The terms of issue were that each £200 of the Extension capital was to receive interest at the rate of 4 per cent. out of capital during the construction of the line, and would eventually be divided into £100 of Ordinary stock, ranking on the completion of the line with the existing Ordinary stock, and £100 of 5 per cent. Preference stock to rank immediately before the Ordinary. Owing to the coal strike of 1893 the stocks of the Sheffield stood at very low prices in 1894, and as an additional attraction it was found necessary to offer in respect of each £100 Extension stock the option to take at par £25 of a $4\frac{1}{2}$ per cent. Debenture stock, then quoted about £150. Even with this inducement the Sheffield shareholders took only about 10 per cent. of the issue the remainder being taken by the syndicate underwriting the stock.

Since 1899 the dividend results have gone from bad to worse, and in 1901 the company fell short by £530,000 of earning its preference dividends in full. Six preference issues went entirely dividend-less besides the preferred and deferred ordinary issues, and one preference issue, that of 1874 only received a portion of its dividend.

Those who had hoped that the London Extension would lift the undertaking into the position of a prosperous railway had overlooked various matters. First of all the new line cost more than double the original estimate of cost; secondly, much of the capital had to be raised on

very onerous terms indeed ; thirdly, the heavy charges on the original undertaking remained as before ; and fourthly, the new line did not yield the revenue anticipated. So hard pressed was the company for funds that it had to resort to exceptional means of raising the money. At 31st December, 1901, Lloyd's Bonds to an amount of £2,652,500 appeared in the balance-sheet, though the chairman announced at the meeting early in 1902, that arrangements had been made to reduce them to 2 millions. This amount has to be redeemed by June, 1904. At the end of 1901, the company was also indebted to the Railway Rolling Stock Trust, to an amount of a million sterling, which has to be repaid in half-yearly payments of £100,000, beginning on 30th June, 1903. To meet these maturing obligations and to provide for further requirements on capital account, the company in 1900 obtained from Parliament power to issue 6 millions of 3½ per cent. Second Debenture stock. It is hoped that when the maturing obligations referred to are replaced by the Second Debenture stock, a reduction in the interest charge of not less than ½ per cent. per annum will be effected.

Mr. Alex. Henderson, M.P., who has for some time been largely responsible for the company's financial policy, became chairman of the Great Central, and it is recognized that his services are a most valuable acquisition to the company. A change was also made recently in the managership, Sir William Pollitt whose service extends over 45 years having retired, and taken a seat on the Board. Mr. Sam Fay, formerly of the South-Western Company, has succeeded him, and great things are expected of him.

At 31st December, 1901, the total capital of the Great Central was 42½ millions including £9,669,000 of Ordinary stocks. In the ten years 1892 to 1901, the Great Central spent nearly 17½ millions on capital account, an outlay which was only exceeded by that of the Midland Company. As a result 167 miles were added to the Great Central system. All the old Ordinary stock was replaced in 1897 by Preferred Ordinary and Deferred Ordinary, but, of course, both are far removed from a dividend. Subjoined, are the amounts of additional net profit over and above that for the year 1901, which must be earned before each successive preference issue can receive its full dividend :—

Stock.	Amount of extra net profit required to pay dividend.				
1874 (Preference)	£82,400
1876 ,,	107,400
1879 ,,	157,400
1881 ,,	226,400
1889 ,,	286,400
1891 ,,	875,600
1894 ,,	580,600
Preferred Ordinary	820,658
Deferred Ordinary (1 per cent.)	869,001

Thus, the net profit earned in 1901 would have to be nearly doubled before the Deferred stock could receive 1 per cent. Some of the earlier preference issues will probably prove remunerative at their present depreciated level, though patience may be required. It is noteworthy that the Great Central is drawing close to the Great Western, and stranger things have happened than an

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amalgamation of these two railways. Owing to the former obstructive policy of the Metropolitan, the Great Central is jointly with the Great Western providing an alternative route into London *via* High Wycombe, Acton, and Northolt. When the new joint lines are completed, the Great Central will be entirely free of the old alliance with the Metropolitan which was arranged by the late Sir Edward Watkin when he was chairman of both companies. The new lines are being financed entirely by the Great Western and in the Great Central's balance-sheet at 31st December, 1901, a sum of \$472,000 appears as already having been advanced for this purpose.

CHAPTER XVII.

THE GREAT EASTERN RAILWAY.

The Great Eastern has probably shown greater improvement in its position during the last fifteen years or so than any other large company. Its traffic has vastly increased, and dividends and prices of its securities have also improved, though the best dividends and the highest prices have not been maintained during the adverse years 1900 and 1901. From 1880 to 1890 the improvement in its dividend was almost continuous, and in the latter year it paid 8 per cent. compared with $1\frac{1}{2}$ per cent. in 1880 on its Ordinary stock. From 1890 to 1898 the dividend fell away quickly to only 1 per cent., but recovered again in 1899 to $8\frac{1}{2}$ per cent., which was the highest on record. In 1901 only 8 per cent. was paid with the aid of a draft on the Contingent Fund. Like other leading railways the Great Eastern suffered very seriously in 1900 and 1901 from the rapid growth in expenses. To some extent this adverse influence was mitigated in the case of the Great Eastern Company by the continued large growth in gross revenue, particularly passenger traffic. It is necessary to turn back for many years to find a period in which the Great Eastern exhibited any serious reaction in its gross revenue. The large extent of the growth of its revenue will be seen from the following comparison :—

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Year.							Gross Receipts.
1890	£4,180,000
1891	4,279,000
1892	4,405,000
1893 (strike year)	4,271,000
1894	...	...	...	...	...	...	4,422,000
1895	...	...	...	...	...	..	4,547,000
1896	...	...	...	...	...	...	4,766,000
1900	...	...	...	...	...	...	5,584,000
1901	...	...	...	...	...	...	5,736,000

In eleven years the total revenue advanced by £1,556,000, and in spite of the unfavourable conditions prevailing in 1901 the increase in that year alone was £152,000. To that increase must be attributed the ability of the company to pay 3 per cent. in 1901 the same as in 1890, for nearly every other leading company fell far short of even that modest achievement. In the first half of 1901 the company took £55,000 from Contingent Fund, whilst only £10,000 was replaced to that fund in the second half of the year. This course was defended by the company on the ground that the Contingent Fund was formed in times of prosperity to be used in times of adversity. In 1893 that fund was only £37,500, but at 31st December, 1901, in spite of the large draft made upon it, the fund stood at £75,000.

The mileage of the Great Eastern system is 1,177½. Of the latter figure 1,000 are solely owned by it; 127½ are jointly owned; and 50 are leased or rented. Of its revenue in 1901 amounting in all to nearly 5½ millions, more than half, namely, £3,063,000 was derived from passengers,

etc. It is interesting to note that of a total increase in revenue in 1901 compared with 1890 of about $1\frac{1}{4}$ millions, two-thirds was in passengers. This is, of course, mainly attributable to the great development of the Suburban traffic of this line, to provide for which so heavy an expenditure of capital has been incurred by the Great Eastern during the last fifteen years. During 1901 the company carried nearly 119 millions of passengers, besides quite an army of season-ticket holders.

In spite of the enormous additions to the accommodation provided by the company for its London suburban traffic, it finds some difficulty in keeping pace with the enormous growth in the traffic. Relief could be found in further extending the stations and widening the lines, but the capital cost is prohibitive. Already the interest on the capital involved in the Liverpool Street station amounts to a halfpenny for every passenger who uses it, and the capital cost of the various London lines is very heavy. In spite of this, agitation for the extension of workmen's trains at fares which are unremunerative has proceeded actively and has gone the length of an action before the Railway Commissioners. According to an official return published in 1897 it appeared that the Great Eastern was running daily 76 workmen's trains, covering 353 miles against only 23 in 1888. The average fare paid by all passengers, except season-ticket holders, during 1901 was only $4\frac{3}{4}$ d., showing how the short-distance traffic predominated.

Some relief from the congestion of growing traffic is being found in the construction of wider carriages and a conversion of present carriages, so that a train of fifteen

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vehicles, formerly accommodating 686 passengers, will take 768.

The receipts from season-tickets form a very important part of its passenger revenue, and is an item which although it has shown rapid growth, may be expected to exhibit still further large expansion. Between 1885 and 1901 the season-ticket receipts increased from £168,777 to £347,860, or 112 per cent. The Great Eastern has shown the largest increase in season-ticket revenue of any of the leading companies, and undoubtedly the well-known character it has for punctuality and the general efficiency of its services has very materially contributed to bring this about.

From goods and live stock the Great Eastern derived a revenue in 1901 amounting to £1,660,000, and from minerals a sum of £559,000. Since 1889 the total receipts from minerals in each year have been as follows :—

1889	...	...	...	...	...	...	£487,892
1890	...	...	...	...	...	...	508,504
1891	...	...	...	...	...	...	518,751
1892	...	...	...	...	...	...	529,618
1893 (strike year)	...	...	...	...	...	...	388,855
1894	...	...	...	...	...	...	499,885
1895	...	...	...	...	...	...	481,768
1896	...	...	...	...	...	...	479,857
1900	...	...	...	...	...	...	588,000
1901	...	...	...	...	...	...	559,000

From the above it will be seen that in 1901 the receipts were only £80,000 better than in 1892. In 1900, however, a special mineral manager was appointed with the view of extending this traffic.

The total capital expenditure of the Great Eastern to the 31st December, 1901, was £54,819,000. This is exclusive of nominal additions and discounts amounting to over £4,197,000. The most noteworthy feature about the constitution of the capital account is the small amount of the Ordinary stock, only about 29 per cent. of the total nominal capital. This, of course, implies that a relatively small amount is required to pay an increased dividend on this security, and as a matter of fact an increase in the net revenue of about a quarter of a million, or 12 per cent., would increase the dividend by nearly 2 per cent. It is equally important to remember that a decline in net revenue would have a correspondingly severe effect on the dividend; in fact should the net revenue again decline to the 1898 level, the distribution on the Ordinary stock would disappear.

Undoubtedly the development of the suburban traffic of the Great Eastern Company has been in the main its financial salvation, and the policy of increasing the facilities for dealing with this by judicious capital outlay has been a wise one, and one moreover which has already borne fruit to the ordinary shareholders. During the last ten years the company has expended on capital account about £7,610,000. Most of this capital has been raised by the issue of Preference stock bearing rates of 4 and 8½ per cent.

Since 1897, however, the company has taken the opportunity created by the advance in its Ordinary stock to over par, to issue Ordinary stock. To the end of 1901 about 2 millions of Ordinary stock had been so issued, and £788,000 still remained available for issue, being the

unissued balance of 1½ millions stock offered to the shareholders early in 1901. This balance was re-offered to the ordinary shareholders in May, 1902, at par.

The policy of the company now is to spend as little on capital account as possible, and in July, 1901, the chairman, Lord Claud Hamilton, said for the next few years capital expenditure must be confined not to what is desirable but to what is really necessary. Again, in regard to "tube" projects which the Great Eastern has contemplated constructing to relieve existing lines, after consideration the Board have resolved that they would not be justified in incurring the heavy additional capital outlay. The policy of the company is, in short, to develop to the utmost the existing resources of the company in the belief that if new "tube" competitors are constructed the Great Eastern will be able to hold its own.

Though the Great Eastern has been very energetic in developing its suburban traffic, it has not neglected other sources of revenue by any means. Its traffic to seaside resorts on the East Coast has been cultivated by a liberal policy of quick and efficient services at low fares. Its Continental traffic *via* Harwich, from which port its own steamers ply to Hook of Holland and Antwerp, is important, and in 1901 its steamboat receipts alone were over £277,000. The company is having two new steamers built for these services.

On the whole it is probable that the Great Eastern will show improvement compared with 1901 results, and it is to be hoped that such will be the case, for the Ordinary stock stands at a price which discounts higher dividends than those that have lately been forthcoming. The main-

tenance charges of the company are rather low, and might with permanent advantage to the company be increased, especially now that it can better afford to spend its surplus revenue in this way. It is important also to bear in mind that this company is most seriously threatened by electric tramway and "tube" railway competition, though it is doing its best to prepare for possible developments of this character.

CHAPTER XVIII.

THE LONDON AND SOUTH-WESTERN RAILWAY.

The South-Western is the largest of the Southern lines, even if we regard the South-Eastern and Chatham as one undertaking. Its mileage at the end of 1901 was 926½. Of this 807 miles were owned by it, 28 were partly owned, and 96½ leased or rented. The total revenue of the company in 1901 was £5,008,000. Of this figure over 8 millions or 61 per cent. was represented by passenger receipts. Goods and live stock yielded a revenue of £955,000, and minerals a sum of £416,000.

The miscellaneous revenue of the South-Western is considerable. It owns an important fleet of steamers, and besides has invested a large amount of capital in the Southampton Docks. In 1901 the total miscellaneous revenue was £579,000, of which sum steamers yielded £180,000, and docks £264,000. But on the working of the steamers there was a loss of £46,000, taking depreciation into account. This is apart from the interest on £575,000, of capital invested therein.

The amount invested in Southampton Docks is nearly 3½ millions. This capital yielded a direct return of over 2 per cent. in 1901, and in view of the immense traffic development of the South-Western system which has followed upon their acquisition, and the large addition to the profit upon the railway business which has resulted,

the purchase and improvement of Southampton Docks has already been most advantageous. As the Chairman of the company said at the meeting early in 1902, the Board looked upon the docks as a means to an end.

During 1901 the South-Western carried nearly 62 million passengers, of which 55 millions were third class. This is quite apart from season-ticket traffic, which yielded it a revenue of £226,000, an increase of £30,000 compared with 1896. Like the Great Western, the South-Western in 1896 revised its second-class fares with very satisfactory results. Through this reduction of fares an increase of £128,000 in the receipts from second-class was realised between 1896 and 1901, whilst in previous years a falling off was witnessed.

The total issued capital of the company at the end of 1901 was £39,062,000, exclusive of nominal additions, amounting to £3,680,000. Of this the ordinary capital issued to the same date was £12,084,000. In May, 1902, a further issue of £605,000 of Ordinary stock was offered to the shareholders at 175. It will carry dividend from 1st July, 1902. During the last ten or fifteen years the South-Western has incurred a proportionately large expenditure on capital account, though, of course, as regards the actual amount it is far from being the first. To the end of 1901 the total expenditure on capital account was £41,624,000. To the end of 1882 the total expenditure was £24,371,000, so that during the nineteen years there was an outlay of over 17 millions, or 70 per cent. Where this money has gone may best be seen from the following comparison of the main items of expenditure as shown in the capital account at the end of the years 1882 and 1901 :—

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Items.	Total capital Expenditure to 31st Dec., 1882.	Total capital Expenditure to 31st Dec., 1901.
Lines open for traffic...	£20,699,488	£30,835,689
Working Stock	2,745,427	5,295,680
Steamboats	290,271	575,200
Southampton Docks...	—	8,204,268
Subscriptions to other Cos.	420,824	1,652,971
Docks and other special items	125,651	—
Lines in construction	90,865	559,918
Total	£24,871,521	41,623,716

Since the end of 1882 the mileage open has increased by 156. It will be seen that considerably more than half of the total expenditure has gone into this item. The next largest expenditure is that of $3\frac{1}{2}$ millions on Southampton Docks. The latter were taken over from the Dock Company on 1st November, 1892, the price paid by the railway company being £1,181,000, most of which was paid in 8 per cent. Debenture stock of the South-Western Company. Since the acquisition of the property, it will be observed, the South-Western have expended a further larger sum. The 17 millions of capital, expended as shown above, was raised mainly by the issue of Debenture and Preference stock, only $2\frac{1}{2}$ millions of Ordinary stock having been issued.

The South-Western very materially improved its position between 1885 and 1897, but has since suffered from the

advance in expenses. Subjoined is a comparison of dividends in recent years :—

Year.	Rate of dividend on Ordinary Stock.						
1885	5 per cent.						
1889	6 „						
1890	6 „						
1891	6 „						
1892	6 „						
1898	6 „						
1894	6½ „						
1895	6½ „						
1896	6½ „						
1897	7 „						
1898	6½ „						
1899	6½ „						
1900	6½ „						
1901	5½ „						

It will be seen that in spite of the almost general decline in railway dividends between 1889 and 1895, the South-Western maintained a steady 6 to 6½ per cent.

In 1897 the dividend rose to 7 per cent., equal to 8 per cent. on the Deferred, but fell away again to only 5½ per cent. for 1901, as the result of the extraordinary advance in expenses.

Having regard to the fact that a very large portion of the heavy capital outlay of the last ten years has not developed anything like its full earning power, the prospect of the South-Western recovering its dividend is especially good. The effect of the large capital expenditure

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on gross earnings is shown by the following comparison of gross receipts from 1889 to 1901 :—

Year.	Gross revenue including net revenue credits.						
1889	£3,818,721						
1890	8,441,990						
1891	8,548,502						
1892	8,625,168						
1898	8,788,462						
1894	8,902,527						
1895	4,026,471						
1896	4,204,917						
1901	5,008,297						

Between 1889 and 1901 it will be seen the gross revenue increased by nearly £1,700,000, or 50 per cent.

One important outcome of the improvement in the position of the South-Western previous to 1898 was the remarkable appreciation in the price of the Ordinary stock, and for over three years it was quoted at a higher price than any other Home Railway Ordinary stock of similar importance. In 1882, when the dividend was $5\frac{1}{2}$ per cent., the price was never higher than 139, and right on till 1888 the price was never higher than 148 $\frac{1}{4}$. In the following year an increase in dividend from $5\frac{1}{2}$, the rate paid in 1888, to 6 per cent. took place, and the stock rose during 1889 to 160. From that year till 1897 the appreciation in the price of the Ordinary stock was practically continuous, as the following comparison of highest and lowest prices in each year will show :—

Year.							Price of Ordinary stock.	
							Highest.	Lowest.
1889	...	...	...	...	...	...	160	148
1890	...	...	...	...	...	...	166	151
1891	...	...	...	...	...	...	168½	154½
1892	...	...	...	...	...	...	177½	159
1893	...	...	...	...	...	...	195	176
1894	...	...	...	...	...	...	195	181
1895	...	...	...	...	...	...	204	194
1896	...	...	...	...	...	...	217	198
1897	...	...	...	...	...	...	238	208
1898	...	...	...	...	...	...	236	216

Thus it appears that though the dividend in 1897 was only 1 per cent. more than in 1889, the stock rose about 80 points from the mean quotation of that year. The reasons for this were that the company had acquired the Docks at Southampton, and that stroke of policy was generally believed to promise substantial future benefits to the company beyond those already realised. Another important factor in bringing about the advance referred to was the duplication of the Ordinary stocks into Preferred and Deferred in 1890. By its Stock Conversion Act of that year it was authorised to create and issue for each £100 of Ordinary stock:—(a) £100 of a 4 per cent. Preferred Ordinary stock, entitled to its dividend out of the net revenue available for distribution on the ordinary capital in each year ending 31st December; and (b) £100 of a Deferred Ordinary stock taking the balance of dividend. To the end of 1901 shareholders had exercised the option of duplicating their holdings to the extent of

£8,849,000 of Ordinary stock. Another favourable development in regard to the South-Western since 1889 is that the Waterloo and City Railway has been opened. This has facilitated the handling of the large suburban traffic of the South-Western, and has increased its popularity, as the new line provides direct access to the heart of the Metropolis.

On the creation of the Preferred Ordinary stock in 1891, it was quoted at 111. In 1896, owing to the continuance of the demand for fixed dividend stocks of a well-secured character, the Preferred actually rose to 141. In 1901 owing to the effects of the war and the fall in all railway stocks, South-Western Preferred actually fell to 109, and early in 1902 was only a few points above that figure, and is an excellent investment at that level.

The Deferred stock carries the reversionary rights, and therefore any improvement in dividends will go to this stock. For investors who wish to share in any improvement in the position of the South-Western, the Deferred stock is the one to buy. In 1897 its dividend was 8 per cent., and since 1889 it has not been less than 2, with the sole exception of 1901.

To some extent the South-Western has suffered, and will continue to suffer from tramway competition in the West of London. The capital expenditure involved in the enlargement of Waterloo—already the largest terminus in London—will also be a temporary burden on the company. But neither of these seriously threaten to check the natural development of this system.

In 1901 Parliament allowed power to be given to a rival undertaking to construct an independent line to

Southampton. The undertaking referred to is the Didcot, Newbury, and Southampton, which has hitherto stopped short at Winchester, though originally it had powers to construct a line to Southampton, but allowed them to lapse. Since then that port has developed so largely under the fostering care of the South-Western Railway, and though Parliament has decreed it so, it is a hardship on the company which has done so much to develop Southampton that a rival is allowed to come in and share the fruits of its enterprise. On the other hand the South-Western has secured some compensating advantage, as an independent but friendly company which had the support of the larger company, has secured power to construct a new railway and submarine tunnel, which will link the Isle of Wight Railway system with the South-Western main line.

CHAPTER XIX.

THE SOUTH-EASTERN AND CHATHAM RAILWAYS.

So far as the public and the actual handling of the traffic are concerned the South-Eastern and Chatham Railways have, since 1st January, 1899, been virtually one undertaking. The companies so far as their finances and the interests of the shareholders are concerned, however, still remain distinct in most respects. In the present chapter it will be most convenient to consider them first in their united form, and then to proceed to examine separately the position of the shareholders of each company.

Previous to 1899 both these railways had achieved an unenviable notoriety for the inadequacy, slowness, and unpunctuality of their services, for the dilapidated condition of their stations and rolling stock, and generally for the backward state of their accommodation. In the case of the Chatham Company the financial position was also very precarious, and though the South-Eastern at one time was nominally much stronger in this respect, it too has lost much ground in the last five years, and for 1901 its ordinary dividend at the rate of only 2 per cent. was the worst in its history. Competition of the worst kind between the South-Eastern and Chatham Companies was a normal state of affairs, and as the result both railways spent vast sums of capital and revenue for which there is

at the present time little to show except duplicate lines and stations, and inadequate provision for traffic where extended accommodation was most required. Many times a fusion of interests had been urged upon the two companies, but without result. Negotiations for amalgamation were entered upon several times, but they always broke down at the crucial moment.

At last, in 1898, an agreement between the two companies was come to, not for a complete amalgamation, but for the pooling of gross revenue and working expenses and the division of net profits on a fixed percentage basis, with additional arrangements for the joint contribution of capital required. It was not the intention of the two companies to seek Parliamentary authority for this arrangement, as they were not bound to secure the sanction of any other body than their shareholders. But the Government virtually intimated that the new arrangement was so important and far-reaching in its bearing on the interests of the public, that the terms of agreement ought to be embodied in a Bill. This Bill was introduced in the Session of 1899, and received the Royal Assent on 1st August of that year, seven months after the new arrangement actually came into operation.

The preamble to the Working Union Act of 1899 recites that "With a view to avoiding undue competition and "unnecessary expense and delays and other inconveniences "arising from diversity of interests and to turning to the "best account the respective powers and resources of the "two companies . . . it is expedient and will be for "the public advantage that subject to the provisions and "enactments in this Act contained, the undertakings of

"the two companies should be used, worked, managed, maintained, and improved from and after the passing of this Act, as one undertaking . . ." The Act constituted a Managing Committee to administer the two railways as one company, that new body being made up of the directors of the two companies, except Mr. J. S. Forbes, who was specially appointed "general adviser" of the Managing Committee, without a vote.

Practically the whole of the working of the united companies passed into the hands of this new authority, and they finally have to pay over to the South-Eastern Company 59 per cent. of the total net profits, and to the Chatham Company 41 per cent. Capital for new works has to be provided in the same fixed proportions, but special provision was made for the contribution of either company being in excess of its fixed rate, in which event the Act of 1899 declared it to be entitled to 3 per cent. interest thereon, to be paid by the Managing Committee before division of net profits. In the South-Eastern Act of 1901, however, an important change is made, leaving this interest allowance to be mutually agreed upon, the intention being to fix the rate at whatever the cost of raising it may be to the company providing it. That company is of course the South-Eastern, and as it had to raise money at 4 per cent., and only received 3 per cent. allowance thereon, the amendment of the original rate operated in its favour. That company will also benefit from an interest allowance to be made on works uncompleted on 31st December, 1898, but subsequently brought into use.

The only duty of the separate companies is to receive

certain special revenues other than railway receipts, excluded from the "pool," and distribute such income, together with that received from the Managing Committee, among their respective shareholders. Since the working union became operative, a very large capital outlay has been incurred, $4\frac{1}{2}$ millions having been expended in three years—or considerably more than the South-Eastern and Chatham Companies had spent during the last seven years of their separate existence. The proportions fixed for the apportionment of net profit were admittedly in favour of the Chatham Company, and in the period to 30th June, 1899, after the new arrangement had existed only six months, the Chatham Company paid the full $4\frac{1}{2}$ per cent. on its Second Preference Stock for the first time. The South-Eastern Company, however, immediately began to suffer in dividends, and for 1901 it earned only 2 per cent. on its ordinary stock, against $4\frac{1}{2}$ per cent. for the year 1898, just before the working union came into operation.

Economies were generally anticipated from the union of management, but these have failed to make their appearance. The reasons are various. The two companies were virtually subjected to a species of "blackmail" by Parliament and the local authorities in the districts served, as the price of securing their Act of 1899. Then the two systems, and particularly the South-Eastern had physically very much run down in the former "Watkin" days, for maintenance and renewal charges against revenue were inadequate previous to 1899, and have had to be increased since. Then the prices for coal and materials, and charges in respect of rates and taxes rose very rapidly

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from 1898 onwards, and the addition to expenses thus incurred was one which the change in the method of administration could not check. And finally large sums were paid by the Managing Committee for retiring allowances, pensions, etc. Subjoined is a statement of the increase in expenditure between 1898 and 1901 under each head, that is since the working union came into operation :—

Items of expenses.	* Increase or decrease.
Maintenance of way... ..	+£98,819
Loco. coal	+116,201
Other loco. expenses... ..	+116,416
Carriage and waggon repairs	+ 23,687
Traffic expenses	+144,868
General charges †	— 14,144
Law charges	+ 1,645
Parliamentary expenses	+ 539
Compensation	+ 5,091
Rates and taxes	+ 33,002
Government duty	+ 3,254
Other expenses... ..	+ 12,380
Total	+£586,158

The increase in the “pooled” revenue of the two companies between 1898 and 1901 was only £270,000, so the

* Comparing separate accounts of two companies for year 1898 with Managing Committee’s account for year 1901.

† A nominal decrease as other new charges appear in separate accounts.

addition to expenses was nearly twice as large as that made to total earnings, As capital charges increased very largely in the three years the amount distributed on the junior stocks of both companies was nearly £400,000 less in 1901 than in 1898.

A large saving in coal and materials will be made by the Managing Committee as compared with 1901, and when the large widenings on the South-Eastern section and connecting lines are completed, the traffic to and from Cannon Street, London Bridge, Waterloo Junction, and Charing Cross will be dealt with more cheaply and efficiently. But to a large extent the additions to both capital and revenue charges have been made merely to cover past deficiencies.

In 1901 the gross revenue of the Managing Committee was £4,465,000, of which £3,186,000, or 70 per cent., was derived from passengers, and £710,000 from goods. Both companies owned steamers, and these were taken over by the Managing Committee in 1899. From them a revenue of £201,000 was earned in 1901, but the net profit was only £8,714. Working expenses were £2,972,000, in all, or 66½ per cent. of the receipts—a ratio which was only exceeded by the Great Northern Company.

It is to economy and extension of traffic that the two companies must look for financial salvation. Owing to the public distrust of the aims of the Working Union, Section 30 of the Act of 1899 laid down that “fares (including those for season tickets, and where such now exist, the cheap fares on certain days in the week), rates, and charges existing on the first day of May, 1899, shall not be increased by either of the two com-

"panies, or by the Managing Committee, without the "sanction to such increase being first obtained of the "Railway and Canal Commissioners, who shall have "jurisdiction in like manner as if the Railway and Canal "Traffic Acts were applicable . . ." Other sections of the Act make it obligatory to provide sufficient passenger trains, and "a sufficient number of trains to and from all "stations upon the respective systems within twenty "miles of their several terminal stations in London, for "the conveyance of working men and women."

The policy of the Managing Committee appears to be to bring the rolling stock and permanent way up to date, to improve the services to the public as far as possible, and then at some future date complete amalgamation may be asked for from Parliament. But it is obvious that the past policy of the two separate companies led to enormous additions to capital of an unproductive character, and amalgamation of capital might imply a reduction of nominal capital, and then it would not be worth having. As matters stand the high charges of the united undertaking, and the burdens of over-capitalisation render it peculiarly liable to competition in the future.

THE SOUTH-EASTERN RAILWAY.

Separate accounts of the South-Eastern and Chatham Companies are still prepared, but they relate only to capital matters and the distribution of net revenue. Traffic details are supplied in the separate accounts of

the Managing Committee, which now necessarily accompany the reports of the two companies.

The total capital of the South-Eastern at the end of 1901 was £30,332,000, including rather over 10 millions of Ordinary stock. Its total net revenue for 1901 was £1,113,000, of which £825,000 was derived from the Managing Committee's operations. In 1896 the company distributed £471,000 on its Ordinary stock, and in 1898, the year before the working union, it distributed £452,000 thereon, but in 1901, only £201,000. Thus for the first time the company was unable to pay the full 6 per cent. on its Preferred Ordinary stock, and in fact only 4 per cent. was paid. The Deferred stock, which received 8½ per cent. for 1897, had nothing for 1900 or 1901. This fall in profits produced a very serious decline in the market values of the Preferred Ordinary, Deferred Ordinary, and most of the Preference Stocks. The margin of security behind the Preference Stocks (see Table VIII.) was 88·88 per cent. of the total net revenue in 1896, but only 18·05 per cent. in 1901.

As the predominant partner in the Working Union, the South-Eastern has had the task of providing capital for the united undertaking. As a matter of fact it spent £3,328,000 on its own account between 1899 and 1901, and contributed most of the £1,256,000 expended in the same period by the Managing Committee.

Railways do not as a rule have reserve funds—at least they are not disclosed—but the South-Eastern is not as other railways are, for it has several. They are nothing to be proud of, however, as they have been built up by a very simple process, and one which is open to any com-

pany which does not prize its credit any more than the South-Eastern does. For the most part these funds represent premiums received on stocks and shares, and even Debenture stock, which, instead of being carried to capital and treated as receipts on that account, were put to reserve. These funds have from time to time been made to bear revenue charges. Some of the more prosperous companies would have had reserves amounting to several millions by this time had they adopted this method. One other company—the Highland—once followed the same rule, but the shareholders discovered that their dividends were under these circumstances anything but secure, and in future only the dividend actually earned is to be paid.

In the first half of 1901 the South-Eastern took £14,427 from a reserve, in order to meet the deficit in its Preference charges. But the auditors only approved the accounts "subject to the approval by the proprietors" of that transfer, and it was prudently returned to reserve in the second half of the year. The proper course for the company to pursue would be to credit these reserve funds to capital account. At 31st December, 1901, they amounted to the following sums:—

Reserve Fund	...	...	...	...	£162,575
Steam Packet Depreciation, etc., Fund					98,291
Special Insurance Fund	...	...	...		89,518
Total	...	...	...	...	<u>£345,879</u>

South-Eastern prospects are difficult to define, as so much depends on the management of the undertaking, and that has never up to the present inspired confidence.

Besides, even the most capable management would find itself handicapped by the errors of the past. Much capital has been expended, and is at present unproductive, and more is still required. In September, 1900, the credit of the company had sunk so low that it issued to ordinary stockholders two millions of Convertible Preference at par. This stock carried full dividend from the beginning of 1902, and from February to June, 1903, holders will have the option to convert into ordinary stock. It is the most desirable purchase among South-Eastern Railway issues.

THE CHATHAM RAILWAY.

Though the Chatham Company has lost a good deal of ground in the last two years, it is nevertheless probable that it is in a much better position than would have been the case if no Working Union with the South-Eastern had been arranged in 1898.

For many years prior to 1896 it failed to earn the full dividend on its Arbitration Preference Stock—indeed the full dividend had only been paid once—and besides this no dividend whatever had then been paid on £869,000 of Second Preference stock, and £11,259,000 of Ordinary capital.

In 1897 a maiden dividend of $1\frac{1}{2}$ per cent. was paid on the Second Preference, and in 1898 this was increased to $2\frac{1}{2}$ per cent. But only as the direct result of the Working Union was it able in 1899 to pay the full $4\frac{1}{2}$ per cent. on that stock. Owing to a decline in profits since, the company only paid £2 19s. 6d. per cent. on its First Preference in 1901.

Its total nominal capital to 31st December, 1901, was about 27½ millions, of which 11½ millions is Ordinary stock. An attempt was made in 1891, in pursuance of an undertaking given by the Directors in 1890, when the company was seeking fresh capital powers from Parliament, to reduce the Ordinary stock by two-thirds, that is from 11½ millions to about 3½ millions. But the ordinary shareholders, in view of the fact that this operation would almost certainly have entailed a loss in market value to them, strongly opposed the suggestion, and it was dropped. The view they took was that £100 of the reduced Ordinary stock was not likely to command the same price as £800 of the present Ordinary stock, because a certain value based on sentiment attaches to the nominal amount of such stocks, especially when there is no dividend as a basis of valuation. And judging by experience in similar circumstances, this view was the correct one.

It is notorious that the ordinary capital of the Chatham is to a large extent fictitious, and not represented by money expended on the undertaking. The difference between the amount received by the company and the nominal amount of Ordinary stock is probably not much less than 7 millions out of 11½ millions, so that if two-thirds of the nominal amount were written off it would be quite justifiable from this point of view. But, of course, there are other considerations, and one of these is that the present amount of ordinary capital was sanctioned by the Award of 1870, and the position of the company is better now than it has ever been since.

In spite of its financial disabilities the Chatham Company managed to show a measure of improvement, and

indeed from the re-constitution of the capital in 1870 till 1898 its record had been one of steady, if slow progress.

In the competition with the South-Eastern the Chatham certainly came off best. It is probable that the South-Eastern would have given up its unsuccessful attempts to oust the poor Chatham earlier than it did, but for the dogged determination of the late Sir Edward Watkin; and the best proof of this is that six months after that gentleman's retirement from the Chairmanship of the larger company, an agreement between the two belligerent railways was arrived at. This was the prelude to the Working Union of 1899.

A good idea of the improvement in the position of the Chatham Company may be gathered from the following comparison of the dividends on its Arbitration Preference stock for its financial year, which ends on 30th June.

1871	...	...	£0	5	0	per cent.)	
1875	...	...	1	17	6	„	
1880	...	...	3	14	0	„	
1885	...	...	3	5	0	„	
1888	...	...	3	10	0	„	
1889	...	...	3	17	6	„	
1890	...	...	4	10	0	„	
1891	...	...	4	0	0	„	
1892	...	...	3	19	0	„	
1893	...	...	3	9	0	„	
1894	...	...	3	7	6	„	
1895	...	...	3	13	0	„	
1896	...	...	4	10	0	„	
1897	...	...	4	10	0	„	and 1½ on Second Preference.
1898	...	...	4	10	0	„	and 2½ „

In 1901 the net revenue of the Chatham Company was £688,000, of which sum £578,000 was derived from the Managing Committee. Considerably more than two-thirds of the total net revenue, or £450,000 was needed to meet the year's debenture charges, and the surplus was only £188,000, allowing for the reduced balance carried forward. This matter is of some consequence, as the Working Union Act specially exempts the Debenture Stocks of both companies from being prejudiced by the interest charges on capital expended by the Managing Committee, or interest allowed by that body.

In respect of capital the Chatham Company avoided many difficulties by the Working Union arrangement, for virtually all its capital requirements are being met by its partner.

For the reason that the Chatham found it very difficult to get the necessary powers from Parliament, its expenditure on capital account had been very small. During the year 1896 it made application to Parliament for the raising of £500,000, by the issue of Debenture stock bearing interest at not more than $8\frac{1}{2}$ per cent. This money was stated to be required for rolling-stock and new steamers, whilst it is to be noted that at 31st December, 1895, the capital account was over expended to the extent of £402,000. The House of Lords, however, only approved of authority being given to raise £250,000.

In 1899 further powers were conferred on the company to raise £450,000 also as Debenture stock. No possibility of issuing share capital has been presented, because of the Award of 1870, and the serious obligations laid upon the company in 1885 and 1890, and again in 1896 by Parlia-

ment in regard to the redemption of an additional £1,000,000 of Arbitration Preference stock. So the Working Union agreement arrived at in 1898 was a very fortunate arrangement for the Chatham in capital as well as revenue matters. Even at the end of 1901, however, the Chatham Company had incurred a larger debit on capital account than its Parliamentary capital powers would enable it to meet, and apparently only by another application to Parliament can this be set right.

There is some prospect that this company will show improvement in its position, and both the Arbitration and Second Preference stocks should benefit. After the Arbitration Preference dividend is paid in full, the Second Preference takes all improvement in net receipts until its full dividend of 4½ per cent is paid, which requires about £89,000. This stock being small even in relation to the net revenue of a small company like the Chatham, its reversionary value is large. In Table XIII. is shown the effect on dividends which would be produced by an increase of 5 per cent. in the net revenue of each company.

As a gambling-counter the Ordinary stock has long been popular, but on its merits this stock has little to hope for. It is a long way from a dividend, and when that goal is reached, the distribution must be a small one because of the large amount of the Ordinary stock.

CHAPTER XX.

THE BRIGHTON RAILWAY.

Probably no railway in the country has seen greater vicissitudes in its fortunes than the Brighton, although on the whole it has been a decidedly prosperous company. It was first opened throughout between London and Brighton in 1841. During the first few years only moderate dividends were paid, though in 1846 the rate rose to 6 per cent. In 1848 Mr. Samuel Laing, the late chairman of the Brighton, first took the post he so long occupied with such benefit to the company. He continued in office until 1855, when he retired in order to take a government appointment. His successor did not keep the watchful eye on the affairs of the undertaking that was necessary for the protection of its interests, though dividends during his term of office were forthcoming with wonderful regularity at the rate of 6 per cent. It was rather curious that the Brighton should have paid such regular dividends at such a respectable rate whilst changes were going on around, and, though this state of matters continued for seven years, it was subsequently discovered by an investigation committee that such a remarkable achievement had after all been a very easy matter, for the simple but very disastrous policy had been pursued of making capital bear all the charges which could not conveniently be met out of revenue. This discovery led to a fall in the stock in 1867

to about a third of its former value, and for that year no dividend on the Ordinary stock was paid, whilst it was found necessary to issue at 75 a 5 per cent. Preference stock, which now commands about double that price. In 1867—about twenty years after he first assumed office—Mr. Laing again took up the post of chairman, which, with conspicuous ability, he occupied until his resignation in July, 1896. Under his control the position of the company steadily improved right on until 1880, when $6\frac{1}{2}$ per cent. was paid on the Ordinary, equivalent to 7 per cent. on the Deferred. From that year the profits of the Brighton declined with those of most other railways until 1885, when the dividend on the Ordinary stock was only $4\frac{1}{8}$ per cent., equal to $2\frac{1}{2}$ on the Deferred. Another period of improvement was experienced until 1889 when $7\frac{1}{8}$ per cent. was paid on the Ordinary stock, equal to $8\frac{1}{4}$ per cent. on the Deferred. From 1889 to 1899 the dividend was much steadier than at any former time in its history, but since then a sharp drop has taken place, and the dividend for 1901 was the smallest since 1885. Since 1890 the dividends on Brighton Ordinary and Deferred stocks have been as follows :—

Year.				Dividend on Ordinary Stock.	Dividend on Deferred Stock.
1890	7 per cent.	8 per cent.
1891	$6\frac{1}{2}$ „	7 „
1892	$6\frac{1}{2}$ „	7 „
1898	$5\frac{7}{8}$ „	$5\frac{1}{2}$ „
1894	6 „	6 „
1895	6 „	6 „
1896	$6\frac{1}{8}$ „	$6\frac{1}{2}$ „

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Year.			Dividend on Ordinary Stock.	Dividend on Deferred Stock.
1897	6½ per cent.	7 per cent.
1898	...	...	6½ "	6½ "
1899	...	...	6½ "	6½ "
1900	...	...	5½ "	4½ "
1901	...	...	4½ "	8½ "

In consequence of the steadiness of the dividend between 1889 and 1899 the price of Brighton Deferred gradually improved, though previously it had been regarded as of a very speculative character, and was shunned by investors of the conservative type. With the continued absence of sharp fluctuations in its dividend the stock became gradually more and more an investment stock, and the similar change which was taking place in all Home Railway securities in the same period, was fully shared by that stock. In 1899 the highest price reached was 185½. But in 1900 a serious change came over Home Railways generally, and the profits of Southern Railways in particular fell off disastrously. In consequence the dividend on Brighton Deferred stock for that year fell from 6½ to 4½ per cent., and the price fell to 124. In 1901 a further fall in dividend and price took place, followed early in 1902 by a recovery, which was to some extent artificial, and rendered possible by the existence of a "bear" account. In 1901 some alarm among Brighton railway shareholders was caused by the promotion of a rival electric railway to Brighton. The Bill was duly introduced, but was thrown out early in 1902, before the principle involved in it was even discussed by Parliament, because the promoters of the measure had not complied with Standing Orders. So

for a year, at any rate, the Brighton Railway is free from this possible rival, whose proposals were, of course, strenuously opposed. If an electric railway is to be sanctioned by Parliament it is at least desirable in justice to the present company that it should be afforded the opportunity of adapting its present line for electrical working.

A very prudent step was thus taken by the Brighton management when in 1901 they secured the services of Major Cardew, formerly electrical adviser to the Railway Department of the Board of Trade, and those of Mr. Philip Dawson as experts to advise the company in regard to electrical working. The former gentleman was elected to the Board early in 1902, and the Board was also strengthened by the election of Mr. William Milburn, jun., and Sir Spencer Walpole, K.C.B.

Though it is possible the electric railway scheme will reappear in 1903, a change in the situation will take place, for another scheme has been discussed for a mono-rail line on the Behr system, which is also regarded as likely to make its appearance in 1903. If the Brighton Company takes the diplomatic step of itself applying for powers to provide electric traction from London to Brighton in 1903, it can hardly fail to come off the victor in this three-cornered duel.

The total revenue of the Brighton Company in 1901 was £3,212,000, and its mileage at the end of the year was 479 miles. The largest portion of its revenue was passenger traffic, the actual receipts in this department being £2,316,000, or 72 per cent. of its total receipts. During the year the company carried nearly 56½ millions

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of passengers, including 2 millions first-class, and nearly $4\frac{1}{2}$ millions second-class. Its revenue from season tickets was £292,000, and, though exceeded in amount by the receipts in respect of this item by other companies, the Brighton figure was the highest, taken in proportion to its total earnings. Since 1892 these receipts have increased by £67,000, or nearly 30 per cent.

Following the example of the Great Western and South-Western companies, the Brighton Company announced that from 1st May, 1897, the Main and Coast lines fares would be reduced to 2d. per mile first-class, $1\frac{1}{2}$ d. per mile second-class, the third remaining at 1d. per mile, for single tickets. For return journeys the fares are about 75 per cent. above those charges in each case.

This policy was very successful in attracting passengers into the intermediate class, as will be gathered from the following comparison of receipts and numbers of passengers relating to the second-class in 1896 and 1901 :—

	Year 1896.	Year 1901.
Receipts	£158,984	£285,747
Number of passengers ...	2,946,000	4,401,682

It will be noted that this traffic expanded very largely during the five years, and it is still growing.

For a long period the capital expenditure of this company was on a comparatively small scale, but latterly it has been large on account of extensive widenings and a large addition that is being made to the terminus at Victoria. The enormous growth of passenger and other traffic has forced this upon the company. In 1885 the gross receipts were £2,090,000, but in 1901 they had risen to over £3,200,000—an increase of 53 per cent.

At the end of 1901 the total nominal capital of the company was about 26½ millions. The latter figure included £9,220,000 of Ordinary stock. An issue of £660,000 of the latter was allotted to the shareholders *pro rata* in 1896 at 155 per cent. This did not rank with the rest of the Ordinary capital for dividend until 1st January, 1898, interest in the meantime being paid at the rate of 8½ per cent. on the instalments.

Early in 1900 a further million of Ordinary stock was offered to the shareholders at 165 per cent. Only about £700,000 was taken by them however, and in respect of that amount a large loss fell on the holders before the stock came to rank with the old Ordinary, namely, from 1st January, 1902. In July, 1901, a further issue of Ordinary stock was very much feared, and the junior stocks fell sharply on that belief. But, instead, the company decided upon the issue of £600,000 of 5 per cent. Second Preference stock *pro rata* to the ordinary shareholders at 140 per cent., and that decision was hailed with satisfaction by the shareholders. As the company has power to increase this Preference stock to 4 millions sterling it will probably issue this stock to meet any further capital requirements in the near future.

There is further an amount of £898,895 Contingent Rights Certificates, which is not included in the company's capital, being a merely nominal addition. These certificates represent rights which formerly belonged to a 6 per cent. Guaranteed stock, but at the time the latter was Consolidated they were separated by the issue of these certificates. The rights they carry are to rank *pro rata* in all dividends on the Ordinary stock over 6 per cent., and

also to allotments of new issues on the same terms as the ordinary stockholders. Recent dividends on this stock have been :—1889, $1\frac{1}{2}$ per cent. ; 1890, 1 per cent. ; 1891, $\frac{1}{2}$ per cent. ; 1892, $\frac{1}{2}$ per cent. Nothing was distributed from 1892 to 1895 on this stock. But for 1896, 1897, 1898, and 1899, dividends of $\frac{1}{2}$, $\frac{1}{2}$, $\frac{1}{2}$, and $\frac{1}{2}$ respectively were paid. Nothing has been paid since 1899.

The one unfortunate thing about the Brighton is that as it derives nearly three-fourths of its revenue from passenger and holiday traffic, it depends a great deal from time to time on the weather. By no possible means can the directors provide for that very uncertain element, and therefore its stockholders have to take things as they find them.

The line is threatened with a serious extension of tramway competition, which will probably divert a great deal of short-distance traffic from it. But within certain limits this might not be an unmixed evil, for all the railways catering for the requirements of suburban traffic around the Metropolis, and not least the Brighton company, have found that this class of traffic has grown so enormously as to hamper their efforts to meet the needs of the more remunerative long-distance business. The local traffic is a kind of under-growth, which the railways were certainly not originally prepared for on anything like the existing scale. Owing to the costly widenings of suburban lines, and still more expensive extensions of London local stations and termini to accommodate it, certainly the margin of profit upon it has been seriously reduced. And the low fares and compulsory provision of workmen's trains have helped not a little to make this class of traffic less attractive to the railways.

In spite of prospective further increase in capital charges, the dividend of the Brighton Company will probably recover to something approaching the rate paid a few years ago. The future is rendered somewhat doubtful by reason of the threatened electric railway rivalry and extension of tramways, though for reasons already given even those dangers are not so serious as they might at first sight appear to be.

A good investment is the Preferred Ordinary stock of this company. It is entitled to 6 per cent. per annum out of the profits of each year ending 31st December, and for over thirty years that rate has been regularly paid. In spite of the very adverse results of 1901, the margin existing after this stock was over £150,000 of net revenue.

CHAPTER XXI.

THE LANCASHIRE AND YORKSHIRE.

The second in importance of the Provincial railways is the Lancashire and Yorkshire, which ranks next to the North-Eastern in this group. As regards its capital it ranks next to the "Heavy" lines, its total being about 52 millions. As regards mileage, the Lancashire and Yorkshire occupies only the ninth place, as besides the four "Heavy" lines its length of line is exceeded by that of the Great Eastern, Great Northern, South-Western Companies, and South-Eastern and Chatham systems.

Throughout its system the Lancashire and Yorkshire is crowded with traffic, though in respect of total traffic receipts the four "Heavy" lines, the Great Eastern, and Great Northern hold a more advanced place. In some important respects this company is in quite a unique position. Its capital, revenue, working expenses, and net revenue per mile of line are larger than in the case of any first-class English railway. The two "Underground" railways are, of course, excepted from this. Per mile of line the capital of the Lancashire and Yorkshire amounts to over £90,000, which is considerably higher than in the case of any other company, with the exceptions referred to. These facts illustrate the dense traffic the Lancashire and Yorkshire has to deal with. Per train mile it also has larger earnings than any other company, and having regard to the fact that this company's entire system is in

and around the largest and most populous towns of the two counties from which it derives its name, this is not to be wondered at.

The total capital of this company, excluding nominal additions, was over 52 millions at the end of 1901. Of this sum its Ordinary stock was accountable for £16,740,000. Since the end of 1901, however, the Company has placed £1,650,000 of Ordinary capital at par by *pro rata* allotment to its stockholders, so that the present Ordinary stock amounts to £18,390,000. This additional capital was authorised by its Act of 1897, and like the bulk of its capital raised in recent years it is to be employed in widening, &c.

Formerly the Lancashire and Yorkshire had found it very advantageous to issue a good deal of capital in the form of Preference stock, bearing interest at the rate of 8 per cent. During the ten years—1892 to 1901—the Lancashire and Yorkshire spent £7,902,000 on capital account, and added only 30 miles to its system. In 1894 the Debenture stock was converted into a 8 per cent. stock, involving a nominal addition to its capital of £4,182,000, and in 1897 its 8½ per cent. Preference stock was converted into a 8 per cent. issue.

The gross revenue of this company for the year 1901 was £5,388,000. From passengers its receipts were £2,814,000; from goods, £1,877,000; and from minerals, £1,098,000. Besides, miscellaneous items yielded £99,000. Of the latter over £14,000 represented the profit from the Fleetwood and Belfast steamers, in which the Lancashire and Yorkshire is interested jointly with the North-Western and in which it has capital invested.

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The history of this company includes many changes. At one time it paid a dividend of over 8 per cent., and the price of the stock was over 160. But it is doubtful if such a rate was fairly earned, for capital was being made to bear more than its share of expenditure: Consequently a decline in the dividend took place, and in 1879 the rate paid was only 4½. A small recovery then took place, followed by a decline in 1885 to 8½ per cent., as a result of which the stock fell in 1886 to a little below par. From 1885 to 1889 there was a steady recovery in the dividend, which in the latter year was 4½ per cent. Since 1889 the dividends have been as follows:—

Year.						Dividend on Ordinary Stock.
1890	...	...	...	...	...	4½
1891	...	...	...	...	...	8½
1892	...	...	...	...	...	8½
1898	...	...	...	...	...	8½
1894	...	...	...	...	...	4
1895	...	...	...	...	...	4½
1896	...	...	...	...	...	5½
1897	...	...	...	...	...	5½
1898	...	...	...	...	...	5½
1899	...	...	...	...	...	5½
1900	...	...	...	..	..	4½
1901	...	...	...	...	...	8½

Its dividend for 1896, besides being the best of recent years, was the best distribution since 1880, when 5½ was also paid. The very satisfactory recovery of its dividends from the low point touched in 1893 had a very favourable effect on the quotation of the Ordinary stock, as the

following comparison of highest and lowest prices for the four years, 1893 to 1896, will show :—

Year.				Highest.	Lowest.
1893	...	...	..	... 109½	108
1894	...	...	...	... 115½	108
1895	...	...	...	... 180½	118
1896	...	...	...	... 158½	127½

Since 1896 the fall in the dividend has, not unnaturally, induced a fall in the price of the Ordinary stock, and late in 1901, on the announcement of the issue of £1,650,000 Ordinary stock, the price fell to 108, compared with 156 reached in 1897, which was the highest price for over 20 years.

It will be noted on comparing the revenue of this company for the years 1896 and 1901 that the Lancashire and Yorkshire has shown smaller growth in gross revenue than the other trade lines. In fact its goods and mineral traffic almost stagnated though passenger traffic increased by £255,000. The lack of expansion in general traffic may be attributed mainly to the unsatisfactory condition of the cotton industry, which most vitally concerns the Lancashire and Yorkshire.

In consequence of the small increase in general revenue the ratio of working expenses rose between 1896 and 1901 from 55 to 61½ per cent. But for the fact that the company practised economies in a very decided way the net results would have been worse. During the year 1901 the company reduced its train mileage by over 600,000 miles, in spite of a slight increase in receipts.

To the credit of this company's management it should

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be noted that the Lancashire and Yorkshire was one of the first to introduce 80 ton trucks in this country, and for some years it has been increasing the hauling power of its locomotives. At the meeting in Feb., 1902, Sir George Armytage, the Chairman of the railway, said "That there was much to learn from their American friends in their system of train loading he did not deny" and also in respect of their statistics, which were a great guide in regulating economic working, and loading, "but their general conditions were very different, especially in regard to their long hauls without breaking load, and the bulk of their consignments." He then went on to say that the experimental working of 80 ton trucks had been so successful for certain classes of traffic that they had ordered fifty more to be built, and they might increase the number. The Chairman also said that their more powerful engines had been a great success.

In spite of the extension of tramway competition the Lancashire and Yorkshire will probably recover its dividend in the next few years. Though at first the tramways divert short distance traffic from the railway, it is found that after a while they act, to some extent, as feeders. Besides, the general passenger business of the company is developing greatly and, since 1889, it has grown from £1,642,000 to £2,814,000, and now forms 48 per cent. of the total revenue. The Lancashire and Yorkshire suffers from the usual complaint among British railways of having too great a capacity for absorbing new capital; but, generally, its prospects are good; its management is advanced and enterprising, and the ordinary stock an attractive investment.

CHAPTER XXII.

THE SMALLER PROVINCIAL RAILWAYS.

In previous chapters the three most important Provincial railways—the North-Eastern, Lancashire and Yorkshire, and Great Central Companies, have been already dealt with. In the present chapter four others of lesser importance—the North Stafford, Furness, Hull and Barnsley, and Lancashire, Derbyshire, and East Coast Companies will be considered. Of these the North Stafford is the largest and most important. It is a fairly compact railway about 200 miles in length, practically confined to the “Potteries” district; hence the Ordinary stock is commonly known on the Stock Exchange as “Potts.” It has practically a monopoly of the district referred to, and as it gets plenty of remunerative traffic, it is a fairly prosperous undertaking, and both financially and strategically is in a good position. It has a close agreement with its most important ally, the North-Western, and besides interchanging a large amount of traffic, these two companies use each other's lines for their own trains very freely: for instance, North Staffordshire passenger trains run into Stafford, and a number of North-Western trains run *via* Colwich and Stoke to Manchester. Amalgamation with the North-Western has been suggested at various times, but up to the present the North Stafford has found it advantageous to maintain its

independence. It has other friends besides the North-Western. The Great Northern, Midland, Great Western, and Great Central, all have considerable dealings with it.

The capital of the North Stafford Company at the end of 1901 was £8,298,000. In the last twenty-five years the company has only applied to Parliament for power to raise in all £1,588,000 of new capital, and has actually only exercised the powers obtained to the extent of £550,000. For a company of the importance of the North Stafford, which has had a constantly growing revenue, this is highly satisfactory. It has not increased its Ordinary stock at all during the period referred to, and consequently the effect on dividends of growing revenue has been very considerable. In 1896 it consolidated its Preference stocks and converted its Debenture stock, making both 8 per cent. securities under powers conferred by its Act of 1895. Subjoined is a comparison of dividends paid at various dates :—

Year.							Dividend on Ordinary Stock.
1875	...	...	...	...	...	...	2½ per cent.
1879	...	...	...	...	...	...	2 „
1880	...	...	...	...	...	...	3½ „
1884	...	...	...	...	...	...	3½ „
1888	...	...	...	...	...	...	4½ „
1889	..	...	...	...	...	...	4½ „
1890	...	..	...	...	...	...	5 „
1891	...	...	...	...	...	...	5 „
1892	...	...	...	...	...	...	4½ „
1893	...	...	...	...	...	...	4½ „
1894	...	...	...	...	...	...	4½ „

Year.							Dividend on Ordinary Stock.
1895	...	...	...	...	...	...	4 per cent.
1896	...	...	...	...	...	...	4½ „
1897	...	...	...	...	...	...	4½ „
1898	...	...	...	...	...	...	4½ „
1899	...	...	...	...	...	...	4½ „
1900	...	...	...	...	...	...	4½ „
1901	..	...	...	...	...	...	8½ „

Up to 1890 there was continuous progress. Since that year, owing to the large increase in expenses, the dividend has fallen off somewhat, but when expenses return to a normal level its dividend should rapidly recover. This company has a promising future, and not the least important of favourable indications regarding its policy is the small amount of its capital expenditure. The effect on the value of the Ordinary stock of the improvement in dividends has been large. In 1879 the Ordinary stock was only quoted about 50, and it did not recover to par until 1887. From then it crept steadily upwards to 136½ and remained at about that level till 1898. Since then it has fallen to the vicinity of par owing to the check given to its dividends. As a progressive investment this stock is one of the most promising of the smaller railways. The Ordinary stock, which amounts to £8,200,000, is dealt in in London, but the principal market is Manchester.

For the year 1896 the total revenue of the North Stafford Company was £809,400, but in 1901 it had increased to £915,000. Of this latter £270,000 was from goods, £285,000 from minerals, and £267,000 from passengers, etc. The North Stafford owns a considerable

mileage of canals. Its revenue from this source in 1901 amounted to about £52,000, and its net receipts to about £18,000, representing a very meagre return on the £1,474,000 of capital invested therein.

The Furness Company has seen many changes in its fortunes. About twenty-five years ago it was paying large dividends up to as much as 10 per cent., and its Ordinary stock stood at about 200 per cent. But in 1895 its dividend sank to $\frac{1}{2}$ per cent. From that year till 1899 a great improvement took place, the rate paid for the latter year being $3\frac{1}{2}$ per cent. That rate was repeated in 1900, but for 1901 the distribution made fell again to $2\frac{1}{2}$ per cent.

This adverse change was attributable to a restricted output by the iron and steel industries, passenger business having continued to increase. The last really good year the Furness had was 1882, when 7 per cent. was paid on its Ordinary stock, and the price of the latter touched 168. From that rate the dividend fell rapidly to only 2 per cent. in 1886, and recovered again to $4\frac{1}{4}$ in 1889. As the result of the fall in the dividend to $\frac{1}{2}$ per cent. in 1895, Furness Ordinary stock fell to 61 in that year. But the recovery in dividends resulted in the price recovering to par in 1900. The company has secured powers to convert its Ordinary stock into Preferred and Deferred, but has not yet put those powers into operation.

Of course the Furness must continue to be mainly dependent on the mineral and iron and steel industries, and its dividend will probably fluctuate very much according to the prosperity or adversity of those industries. But its management under Mr. Alfred Aslett is much more energetic than it was before he came into office as manager

of the company. Its passenger business is improving, apart from its general business, and the company is worked at a very low ratio of expenditure, probably the lowest of any considerable railway in the country. The company was one of the first railways in this country, if not the first, to introduce 80-ton trucks.

Its arrangements with the Midland Company in connection with the Barrow steamboat route are undergoing changes. The Midland Company is engaged in promoting a new route to Ireland and the Isle of Man, *via* Heysham, and proposes to acquire powers to supply a service of steamers of its own. In this connection the Furness Company also proposes to seek for Parliamentary powers to own and work steamers from Barrow. A few years ago an absorption of the Furness by the Midland seemed probable, and there are various reasons why that fusion would be good for both companies.

In 1901 the revenue of the Furness was £585,000, including £241,000 from minerals, £189,000 from passengers, and £133,000 from goods. In 1882 its mineral receipts were £381,000, and in 1895 they sank to only £197,000. In 1896 its passenger receipts were only £106,000, so they increased in the five years by over 80 per cent.

The total capital of the Furness at the end of 1901 was £6,590,000. Its Ordinary stock, chiefly dealt in in Manchester, amounted to £2,642,000. The mileage open was 189, of which 117½ belonged entirely to the Furness.

The Hull and Barnsley is in quite a different position to either the North Stafford or the Furness Company. It was only incorporated in 1880, but in 1887 its finances were in such a muddle that a receiver was appointed, and

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it had to re-organise its capital in 1889, for which purpose it obtained a special Act permitting it to charge to capital account arrears of interest amounting to nearly half-a-million, thus still further diminishing the prospects of the shareholders getting reasonable and regular dividends. A maiden dividend of 7s. 6d. was paid in 1891, and the stock was carried up to 41 in 1892 on the strength of it. For the second half of 1896 also there was a dividend paid at the rate of 2 per cent., equal to 1 per cent. for the whole year. For each year since 1896 there have been dividends as follows :—

	Dividend on Ordinary stock.						
1896	1 per cent.
1897	$\frac{7}{8}$ „
1898	$1\frac{1}{2}$ „
1899	$1\frac{1}{4}$ „
1900	$1\frac{1}{4}$ „
1901	$\frac{3}{4}$ „

In 1897 the company issued £800,000 of 4 per cent. Preference stock, but this issue was subsequently replaced by a $8\frac{1}{2}$ per cent. issue amounting to £750,000.

The capital expenditure of the Hull and Barnsley to 31st December, 1901, was £7,550,000. Of this the Ordinary stock represented £3,800,000, of which £3,000,000 was issued at par, although now standing at a heavy discount. The Hull Corporation holds £100,000 of Ordinary stock, and has two representatives on the Board.

The company owns 66 miles of railway and works $11\frac{1}{4}$ miles, and besides owns the Alexandra Dock at Hull, the

full title of the company being the "Hull, Barnsley, and West Riding Junction Railway and Dock Company."

Its gross receipts for 1901 were £458,000. Working expenses absorbed 62.87 per cent. of this, leaving £168,102 of net revenue. Its business for the most part consists of the carriage and shipping of coal for export. In 1901 mineral receipts amounted to £146,800, and in addition dock receipts were £87,000.

Under the circumstances it was not surprising that in earlier years the shareholders should have become impatient. In 1894 an agitation began among them, and as a result a Committee was appointed early in 1895 to enquire into the past and present policy and management of the company. The method of appointment of this Committee was not, however, satisfactory, and the leaders of the agitation refused to recognise it. However, it proceeded to its task and appointed as expert member and chairman, Mr. Lambert, the General Manager of the Great Western Railway. The report of the Committee was favourable to the existing management, and was adopted by a majority of the shareholders in June, 1895, whilst the expenses of the investigation, amounting to £1,901, were debited in the accounts for the half-year ending 30th June in that year.

The agitation would appear to have stimulated the management to greater enterprise, as the better results since 1896 and the improvement in dividend and price of the stock seem to show.

In the autumn of 1895 a provisional agreement was entered into between the North-Eastern and the Hull and Barnsley for the amalgamation of the two undertakings,

upon terms very favourable to the latter. The ordinary shareholders were to receive Preference stock of the North-Eastern Company carrying a dividend of 1 per cent. for the first two years, $1\frac{1}{2}$ per cent. for the next two years, and $1\frac{1}{2}$ per cent. afterwards. Besides this the stock would share to the extent of $\frac{1}{4}$ per cent. if the North-Eastern dividend were 7 per cent., and a further $\frac{1}{4}$ per cent. for every additional 1 per cent. paid on North-Eastern Ordinary stock. Had this scheme been carried through, the Ordinary stock of the Hull and Barnsley would have been worth about £70. But the opposition in Hull was very severe, so that the Bill was withdrawn by mutual consent. This is the second time the North-Eastern has made

overtures for the acquisition of the Hull and Barnsley, the former occasion being in 1888. It may be that in the future fusion with the North-Eastern will be again discussed with possibly greater results, for the Hull and Barnsley is now virtually the only intruder in the North-Eastern Company's districts. But even in its present form the prospects of a recovery in the position of the company are fairly bright.

The Lancashire, Derbyshire, and East Coast Company was incorporated in 1891 to construct a line from Warrington to Sutton-on-Sea. But as the appeal for capital did not meet with a favourable response it was determined to construct only the Middle Section from Lincoln to Chesterfield, with a branch to Beighton, which was done and opened towards the end of 1896. The total length completed is 58 miles. To 31st December, 1901, the sum of £2,712,212 was expended, and the estimated further outlay was £97,000. The capital was made up of £1,825,000 of

ordinary capital, £758,000 of 4 per cent. Debenture stock, and £590,000 of 5 per cent. Preference stock. The Great Eastern have running powers over the system, and it was expected that a considerable mineral traffic would be developed. As a matter of fact in 1901 the company's traffic consisted mainly of mineral traffic, its receipts therefrom being £66,400 out of a total of £95,800. The Great Eastern has subscribed a considerable sum towards the capital of the company and its chairman and general manager have seats on the Board of the Lancashire, Derbyshire, and East Coast. For 1901 this company failed to earn its debenture interest, and the sum to the debit of net revenue was £5,245 at 31st December. Its balance-sheet discloses £35,000 of Lloyds' bonds in issue.

CHAPTER XXIII.

WELSH RAILWAYS.

In the present chapter the position of the four principal Welsh railways will be considered. The four companies referred to are the Barry, Cambrian, Rhymney, and Taff Vale. There are numerous other small companies, but as they are little known to investors, and are all more or less beset by financial difficulties, they do not call for special consideration. The weakness of the majority of Welsh railways is that they are so isolated, and if they could be banded together much benefit would probably result; but such a scheme would be difficult of attainment, owing to the seriously involved state of the finances of several of them.

In a previous chapter the curious fact has been referred to, that whilst a considerable number of Welsh railways have been complete financial failures, yet that country also contains the railways which in their history have paid the highest dividends of any British railways. The eminently successful companies have been those situated in the South of the Principality, where a very large coal-field exists. Three companies situated in this district at the present time pay good dividends, mainly through the heavy export mineral traffic, consisting of the carriage of coal and coke to the various ports on the South Coast for transhipment.

The Cambrian is one of the Welsh Companies which

has been anything but successful, but under careful management it has shown considerable improvement, and will most probably further improve. Its total capital at the end of 1901 was £5,022,000. It is only paying dividends on its Debenture stock, however, amounting in all to about £2,469,000. It has four separate issues of Debenture stock, and interest on all but £898,000 of it is obligatory.

As recently as 1885 the company had come to an arrangement with its creditors, and in all nearly £142,000 of interest in arrear has been capitalized. The improvement that has taken place in the position of the company compared with sixteen years ago may be gathered from the following :—

Items.	1885.	1901.
Gross Revenue	£180,809	882,748
Net Revenue... ..	74,000	121,880

Gross revenue has improved by nearly £152,000, and net revenue by £48,000, or over 64 per cent. The result has been that the "D" Debenture stock received its full 4 per cent. from 1898 to 1901 compared with nothing in 1885, representing an additional distribution of £12,000. The mileage of the Cambrian Company is 181, nearly all single line, and besides, this company works the Mid-Wales Railway, 70 miles in length, under a working agreement, in terms of which the latter company gets a percentage of the total earning of the two concerns. In 1901 the sum of £15,045 was paid to the Mid-Wales, as its proportion under the working agreement.

In spite of many difficulties this line shows an improving tendency. Its management is as enterprising as the

circumstances will allow, and at some future date it may be worth the while of the Great Western or North-Western to take it over—or possibly to add it to their joint lines.

One of the Welsh Companies which has had a phenomenally prosperous career is the Taff Vale. It is the most important of the various lines confined to South Wales, its total capital excluding nominal additions, being £5,616,000, and its mileage about 124. In addition, this company has the lease of the Penarth Dock undertaking, the capital of which amounts to over £1,118,000, the Taff Vale guaranteeing a dividend of $5\frac{1}{2}$ per cent. on about £750,000 of share capital, beside the interest on the prior stocks. The total revenue of the company for 1901 was £902,000, of which £509,000 was derived from the carriage of minerals to the Coast. The passenger receipts amounted to £211,000; shipping receipts amounted to £82,300; and dock and harbour receipts to £65,840. A considerable mineral traffic is handed over to the Bute Docks Company at Cardiff by the Taff Vale, in addition to that carried to its own Docks at Penarth.

Though the actual capital paid up in the case of the Taff Vale Company is only £5,616,000, the total nominal capital is over $9\frac{1}{2}$ millions, arising from the conversion and consolidation of various stocks. Of the nominal additions amounting in all to £3,754,000, the conversion of the Ordinary stock in 1889 was accountable for £2,517,000. From 1880 to the year of the conversion the dividends on the Ordinary stock ranged from $11\frac{1}{2}$ to $17\frac{1}{2}$, and averaged over 15 per cent., which was the rate paid in 1888, the year before the conversion. In 1889, having regard to the fact that the large dividends paid caused the Ordinary stock to stand at a premium ranging from 100 to 190 per

cent., the company applied to Parliament for permission to convert each £100 of Ordinary stock into £250 of a new Ordinary stock, by increasing the nominal amount to the extent of 150 per cent. This permission was given by Parliament, and the conversion carried out, but in consideration for this "watering" of capital, it was provided that the dividend on the new stock should under no circumstances exceed 6 per cent., equal to 15 per cent. on the old Ordinary stock, any surplus earnings being applied to the reduction of tolls. Owing to the competition of the Barry, which was opened for traffic in 1889, the dividends of the Taff Vale fell off very seriously, and the highest rate paid in any year since has been $8\frac{1}{2}$ per cent. on the new stock, equal to $81\frac{1}{2}$ per cent. on the original stock, or a little more than half the average rate paid for some time previous to 1889.

Since the conversion of the Ordinary stock the dividends paid have been as follows :—

1889 (2nd half)	...	...	...	...	4 per cent.
1890	...	...	...	...	3 "
1891	...	...	...	...	$2\frac{1}{2}$ "
1892	...	...	...	...	$3\frac{1}{2}$ "
1893	...	...	...	...	$2\frac{7}{8}$ "
1894	...	...	...	...	$3\frac{1}{2}$ "
1895	...	...	...	...	$3\frac{1}{8}$ "
1896	...	...	...	...	$3\frac{1}{2}$ "
1897	...	...	...	...	$3\frac{1}{8}$ "
1898 (strike year)	...	...	...	...	$1\frac{1}{2}$ "
1899	...	...	...	...	$3\frac{1}{8}$ "
1900	...	...	...	...	$2\frac{7}{8}$ "
1901	...	...	...	...	$3\frac{1}{2}$ "

The Taff Vale shareholders undoubtedly made a very good bargain with Parliament in the circumstances, for the limit placed on their dividend is not one which is likely at all under the altered conditions to come into play, and it is certain on the other hand that the nominal increase in the Ordinary stock on a scale larger than in any other instance, has counteracted the effects of the fall in dividend. A comparison of prices and dividends for 1889, 1896 and 1901 will show this :—

Year.	Dividend.	Prices.	
		Highest.	Lowest.
1889	15	247	190
1896 (equivalent in new stock)	8½	287	195
1901 do. do.	8½	187½	170

Though there has been a fall, it is quite insignificant, bearing in mind the serious drop in the dividend.

In 1898 all the South Wales railways suffered from the prolonged coal strike, though even in that year all the three leading railways managed to pay 8 per cent. on their original Ordinary stock. In the case of the Taff Vale this was, of course, paid in the form of 1½ per cent. on the existing "watered" stock. In 1900 the Taff Vale Company was the victim of a strike of its employees, in the organisation of which railway labour unions took part. Litigation ensued, in which the important principle was laid down by the Courts that a labour union may be responsible for the acts of its duly authorised officials.

For many years it had been the custom of the various South Wales Railways and dock companies to spend large

sums in the promotion and opposition to Private Bills. A Parliamentary return, published in 1901, showed that from 1892 to 1898 the following sums were spent on Parliamentary Bills :—

Cardiff Railway	...	...	...	...	£88,760
Taff Vale...	...	...	...	...	55,544
Rhymney...	...	...	...	...	20,224
Barry	...	...	...	...	66,780
Port Talbot Dock and Railway	...	...	...	...	27,870
Vale of Glamorgan	...	...	...	...	8,282
Total...					£256,910

Of late years the expenditure on this account has been on a more reasonable scale, but it is obvious that under present conditions these struggles are liable to be indulged in again at any time. Complete fusion of interests is the only sound financial policy for these companies. But it has transpired that one of the main obstacles to this is the large shareholdings of traders who are more interested in maintaining competition than in aiming at higher dividends.

The Rhymney, though it has seen many changes in its fortunes, has on the whole been an exceptionally prosperous undertaking. From 1870 to 1875 the dividends were poor, the highest paid during the period being 2½. In 1876 there was a distinct improvement to 4½, which continued until 11 per cent. was reached in 1881. Right up to 1888 the rate averaged about 10 per cent., but after that year there was a decline, attributable to the

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competition of the Barry, and subsequently the falling-off in trade generally. In 1889 only 8 per cent. was paid, in 1890 only $6\frac{1}{4}$ per cent. Since 1890 the dividends have been as follows:—

1891	...	...	...	...	...	...	$7\frac{1}{2}$ per cent.
1892	...	...	...	...	...	...	$8\frac{1}{2}$ „
1893	...	...	...	...	...	...	$6\frac{1}{2}$ „
1894	...	...	...	...	...	...	$7\frac{1}{4}$ „
1895	...	...	...	...	...	...	$7\frac{1}{4}$ „
1896	...	...	...	...	...	...	10 „
1897	...	...	...	...	...	...	$10\frac{1}{4}$ „
1898 (strike year)	...	...	...	...	...	...	8 „
1899	...	...	...	...	...	...	10 „
1900	...	...	...	...	...	...	8 „
1901	...	...	...	...	...	...	6 „

The total capital of the Rhymney Company at the end of 1901 was £2,249,841, excluding nominal additions. Of this the amount of Ordinary stock was £797,000, the price of which during 1901 fluctuated between 195 and 155. The total mileage of the company was about 60.

The revenue of the Rhymney for 1901 was £264,000. How large the mineral traffic was may be gathered from the fact that this branch of revenue yielded the company £161,000, or 61 per cent. of the total.

In view of the fact that the Rhymney practically parallels the Taff Vale, amalgamation has been suggested at various times, and a few years back was on the point of being arranged. In 1895 rumours were abroad that the Barry intended capturing the Rhymney by giving a guarantee of 10 per cent. to the latter company; but in

November the notices appeared for an amalgamation of the Bute Docks Company and the Rhymney, which was then approved by the shareholders, though rejected by them on the revival of the scheme in 1897. The terms of the proposed amalgamation were stated in the Directors' report of the Rhymney Company to be as follows :—

“An agreement dated 21st December, 1896, for the
“amalgamation as from 1st July, 1897, of the undertak-
“ings of the Rhymney Railway Company and the Bute
“Docks Company will be submitted for confirmation.
“By this agreement the Debenture holders will receive
“£138 6s. 8d. 3 per cent. Debenture stock of the Amalga-
“mated Company for each £100 Debenture stock now
“held, the Preference stockholders will receive £100 4 per
“cent. Preference stock for each £100 now held, these
“stocks now ranking equally with the other Debenture
“and Preference stocks of the Amalgamated Company.
“The Ordinary stock holders will receive for each £100
“held the like amount of Rhymney Amalgamation stock,
“to rank immediately after the Preference stock and
“before the Ordinary Preferred Ordinary stock of the
“Bute Company and to carry interest, non-cumulative, at
“the rate of £10 per cent. per annum.” So that practi-
cally Rhymney Ordinary stock was to get a dividend of 10
per cent. from the profits of the united undertaking in
priority to the Bute Docks Company's Ordinary stock,
then amounting to £2,050,000. As an average distribution
of about £60,000 had been made on the latter, this of
itself provided more than was necessary to pay 10 per
cent. on the then Ordinary stock of the Rhymney Company,
and besides this there was the £60,800 actually distributed

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in 1896 on its own Ordinary capital. So that Rhymney Ordinary stock would be practically assured of a regular 10 per cent. dividend, and if the amalgamation were carried through it would have commanded at least £300 per cent. But as 10 per cent. was paid in 1896 by the Rhymney, it was apparently hoped that at least that rate would be maintained.

This hope proved to be illusory, however, for though in 1897 the Rhymney managed to pay $10\frac{1}{2}$ per cent., and in 1899 it paid 10 per cent., the average since 1896 has been decidedly below the rate proposed to be guaranteed under the amalgamation, which Rhymney shareholders rejected early in 1897.

In 1895 the Rhymney, following in the steps of the Barry and the Taff Vale Companies, obtained a Special Act authorising it to duplicate its Ordinary stock on the lines adopted by the Barry, but in view of the suggested amalgamation with the Bute docks, the powers given were not exercised immediately. Early in 1901 the Ordinary stock of the Rhymney fell in price very rapidly on the issue of £150,498 new Ordinary stock at par.

The Barry has been a wonderfully successful company, having paid large dividends right from the beginning of its career, and its Ordinary stock enjoys the distinction of being quoted the highest of any Home Railway Ordinary stock. The line was only opened in July, 1889. Since then the dividends have been :—

1889 (second half)	...	...	...	$5\frac{1}{2}$	per cent.
1890	...	...	...	10	„
1891	..	..	...	10	„
1892	...	...	...	$9\frac{1}{2}$	„

1893	...	...	...	...	...	9½ per cent.
1894	...	...	...	...	...	10 ,,
1895	...	...	...	...	...	10 ,,
1896	...	...	...	...	...	10 ,,
1897	...	...	...	...	...	10 ,,
1898 (strike year)	...	...	...	...	...	8 ,,
1899	...	...	...	...	...	9 ,,
1900	...	...	...	...	...	6 ,,
1901	...	...	...	...	...	6½ ,,

Its total railway mileage is only 40½, and its total expenditure of capital £5,404,000. The amount of its Ordinary stock issued to the end of 1901 was £1,512,000. At the end of 1894, under powers obtained in that year, it converted a portion of its Ordinary stock into Preferred and Deferred Ordinary stocks on the same lines as those followed by the South-Western Company. To the end of 1901 shareholders had exercised the option of conversion to the extent of more than half the ordinary capital, namely £808,000.

On 1st August, 1901, the company added about 9 miles to its system by the opening of the Rhymney branch. The export duty on coal has naturally not assisted these South Wales railways, but in spite of it the Barry Railway maintained its mineral revenue in 1901.

The total revenue of the Barry in 1901 was £578,000. From the carriage of minerals the receipts were £227,000, from shipping £81,000, and from docks £214,000, so that from the carriage and transhipment of minerals the company derived about 90 per cent. of its revenue.

Working expenses of this company rose to about 57 per cent in 1901, compared with less than 50 in 1898. A

return to the lower rate would provide sufficient additional net profit to increase the annual dividend from 6 per cent. 1901 rate—to $9\frac{1}{2}$ per cent.

The Barry Company has not been satisfied with its present phenomenal success, but is always trying to improve its position at the expense of its neighbors. This may be gathered from the fact that it spent nearly £1,000,000 between 1892 and 1898 inclusive, on Parliamentary matters. But it is probably the strongest of the Wales railways, and its dividend should recover its old rate of 10 per cent.

CHAPTER XXIV.

METROPOLITAN, DISTRICT, AND EAST LONDON RAILWAYS.

In the present chapter the three old "Underground" Railways of the Metropolis—the Metropolitan, the District, and the East London—will be dealt with. In the last twelve years the "Underground" railways of the Metropolis have been supplemented to an important extent by the advent of the "tubes"—a new system rendered practicable by the engineering device known as the "Greathead shield" for tunnelling. The pioneer of this system was the City and South London which, with later comers, who adopted the same principle, is dealt with in a separate chapter.

The Metropolitan is still the most important Underground railway in the Metropolis. But its whole system is not by any means all underground or confined to the Metropolis. Its own system covers 65 miles, in addition to which it has a half interest in the City Lines and Extensions. Including the St. John's Wood line, the section of its system which is actually known as the "Underground" does not exceed 11 miles, most of its mileage being represented by the system to Aylesbury.

For several years the Metropolitan has been engaged in quarrelling with its neighbours, particularly the District and Great Central Companies. Since 1879 the Metropolitan had been quietly pushing itself northwards until in

1892, by the acquisition of the Aylesbury and Buckingham Railway it extended to Verney Junction. It was the late Sir Edward Watkin's scheme to make the Metropolitan part of the Great Central route to London, and as long ago as 1890 an agreement was arrived at between them for the use of the Metropolitan line by the Great Central. This agreement was scheduled to the Great Central (then Sheffield) Railway Act of 1898, authorising the London line. But from time to time since Sir Edward Watkin retired in 1894, the relations between the two companies have been far from cordial. In 1895, and on several occasions since, they appeared as opponents in the Parliamentary Committee room, and their quarrels also found their way into the Law Courts. As it was anticipated that they would secure large mutual benefits from the London Extension this want of harmony was a distinct disappointment. When the terms of the 1890 agreement between them actually came into operation early in 1899, it is not surprising that the Great Central found them too exacting, and sought relief in an alternative route. Powers for this were secured by the assistance of the Great Western, and a new joint route *via* Grendon Underwood and High Wycombe is now being constructed, the Great Western Company finding the capital. This route threatens to divert from the Metropolitan line traffic now worked over it by the Great Central from Quainton Road to Harrow.

It is to be regretted that the District and Metropolitan Companies have never been able to come to a business-like arrangement regarding many questions in dispute between them. When the late Sir Edward Watkin presided over the Metropolitan, and Mr. J. S. Forbes over

the District, they imported into the relations of these two companies that policy of bickering or worse, which for so long, under the same guiding hands, characterised the relations of the South-Eastern and Chatham. Years ago amalgamation might have proved a very satisfactory escape for both, and even now it would have many advantages. The latest bone of contention has been the particular method of electric traction to be adopted. As long ago as 1897 a Parliamentary Committee recommended electric traction as a means of escape from the smoke nuisance. For years both companies had actually agreed in the abstract that electric traction was necessary to overcome that nuisance, and to make their lines attractive to Londoners. But though the construction of the Central London was proceeding steadily for some years, and was actually completed in July, 1900, no practical step was taken by the older companies, and 1901 found them engaged in a struggle with each other before a Parliamentary Committee as to whether the "Ganz" system, or the continuous current system of electrical working should be adopted on the Circle, which, of course, the Metropolitan owns to the extent of about 9 miles. Under the District Company's Act of 1901 it was finally left to the Board of Trade to hold an inquiry to decide which of the two systems should be adopted. This was held in October, 1901, and as a result the "continuous" system was decided upon, though the Board of Trade arbitrator admitted that the preliminary negotiations which took place between the two companies to determine the system of electrical traction "were most embarrassing to the Metropolitan Company."

Both companies are now proceeding to "electrificate" their systems on the lines of the decision referred to. Unfortunately they could not agree upon a joint power station, so the District is erecting one at Chelsea, and the Metropolitan one at Neasden. The former is designed to meet much larger requirements than those of the District Company, and that of the Metropolitan will be capable of being extended in order to provide the current required for working the lines north of Baker Street. In the application of electricity to the working of both systems further difficulties are sure to arise, and only loss to all concerned can result from the maintenance of a mutually antagonistic attitude. Both Mr. R. W. Perks, the District chairman, and Col. Mellor, the Metropolitan chairman, have professed an anxiety for friendly relations, and it is to be hoped they will persist in that policy. In 1901 an offer was made by Mr. Yerkes on behalf of the syndicate which controlled the District, to take over the Metropolitan and guarantee $8\frac{1}{2}$ per cent. on the Ordinary stock as well as all the fixed charges. But the Metropolitan directors declined the offer on the sufficient ground that the security for the guarantee was not tangible enough. If that offer could be renewed on terms which remove any doubt about the security it ought not to be lightly rejected. In any event a fusion of interests is eminently desirable.

For the year 1901 the gross revenue of the Metropolitan Company was £820,881 of which £657,000 was derived from passenger traffic. Its working expenses were £417,000, equal to over 50 per cent. of the receipts. This ratio is low compared with most railways, but only a few years ago it was nearer 40 per cent. In the first two half-

years of Central London competition the effect on the gross receipts and profits of the Metropolitan was as follows:—

		Half-year ending	
		*Dec. 31, 1900.	Dec. 31, 1899.
Gross receipts	... ..	£422,459	£484,776
Net profit	... ..	209,997	285,627
Dividend	... ..	2½ p.c.	8½ p.c.

		Half-year ending	
		June 30, 1901.	June 30, 1900.
Gross receipts	... ..	£411,823	£444,565
Net profit	... ..	208,376	248,478
Dividend	... ..	2½ p.c.	8½ p.c.

Thus, in the first eleven months of competition the Metropolitan dividend fell to less than two-thirds its former rate, and as subsequently shown a similar disaster befel the District Company. For the second half of 1901 the dividend further fell from 2½ to 2¼ per cent., making 2¼ for the year 1901. For the last five years the dividends have been as follows:—

Year.						Dividend on Ordinary Stock.
1897	...	...	...	...	...	...8½ per cent.
1898	...	...	...	...	...	...8½ „
1899	...	...	...	...	...	...8½ „
1900	..	...	...	...	...	...8½ „
1901	...	...	...	...	...	...2¼ „

To allay competition a revision of fares is under consideration, but until the line, together with the District, is

* Five months' competition only.

electrificated there seems to be little ground for hope of real improvement. And the company has yet to raise the money to carry out the new works. In deference to the wishes of a section of the shareholders, two new directors were appointed early in 1902, Mr. Albert G. Kitching and Sir William Birt.

The total capital of the company at 31st December, 1901, was 12½ millions, including nearly 5½ millions of Ordinary stock and over 2½ millions of Surplus Lands Stock. In 1888 the company issued the latter stock to represent the income derived from lands and property not required for railway purposes. Parliamentary authority was obtained to issue £50 of Surplus Land Stock for each £100 of Ordinary then in existence, arrangements being made at the same time to cancel the Preferred and Deferred stocks which previously existed. The Surplus Lands stock was practically a nominal addition to the ordinary capital. The surplus lands revenue is steady and progressive, and for 1901 a dividend of 2½ per cent. was paid on this stock, representing a distribution of nearly £78,000. An important point arises in connection with the security of the prior stocks, it being provided that those stocks issued previous to the separation of the surplus land rights (as from 1st July, 1887) have the protection provided by that revenue, whereas those issued later do not enjoy that additional security. Apparently the Preference stocks down to and including the 4 per cent. New Preference stock enjoy the security of the railway and surplus lands revenue. Stocks junior to that named have only the railway revenue for their protection. The clause in the Act of 1886 reads as follows:—"Nothing in this Act contained

“ shall in any way alter, prejudice, diminish, limit, or
“ otherwise affect the security for or any priorities sub-
“ sisting between the debentures, debenture stocks, and
“ mortgage bonds, or of any Preference stocks charged
“ upon or granted, created, and issued in respect of the
“ general undertaking of the Company and the revenue
“ thereof and now subsisting.”

The District Company has never been a conspicuously prosperous undertaking, but it was hardly in quite so financially impoverished a condition as in the last few years. In 1880 it managed to pay $1\frac{1}{4}$ per cent. on its Ordinary stock, which during that year rose to 85. The distributions on District Ordinary only lasted five years, however, and by 1889 even its 5 per cent. Extension Preference was without a dividend. By easy stages the company recovered again, and for 1897 a distribution of $8\frac{1}{2}$ per cent. was made on the 5 per cent. Preference, the Queen Victoria Diamond Jubilee traffic contributing to that result. Since the Central London was opened the District has not only failed to earn any dividend for the Preference, but has not been able to pay the Guaranteed stock its full rate of 4 per cent. For 1901 only $1\frac{1}{4}$ per cent. was paid on this stock, and the accumulated arrears were nearly £87,000. The 4 per cent. Guaranteed stock is, of course, cumulative, and was issued in 1882, its amount being $1\frac{1}{4}$ millions. It was issued to provide the District Company's share of the capital for the City Lines Extension to complete the Inner Circle.

The most important change in the position of the District of late years has undoubtedly been its control by an American syndicate, headed by Mr. C. T. Yerkes. Early

in 1901 Mr. J. S. Forbes and the District Board were groping about for means to raise the money for electrification, and in the report dated 7th February, 1901, the shareholders, who certainly never thought of accusing those then in authority of any undue haste were warned that "the "questions involved must not be solved in panic." All sorts of radical changes in the finances of the company were proposed, and yet without any real hope of providing the necessary capital for making the change to electrical traction. At last a change took place, and in June, 1901, a Bill was submitted to the shareholders to confirm an agreement between the railway company and the Metropolitan District Electric Traction Company. The latter concern was virtually a syndicate, composed of Mr. Yerkes and his supporters, who had agreed to subscribe a million sterling for the purpose of constructing a huge generating station, and to equip the District for electrical working. In part payment the Traction Company agreed to take £500,000 Ordinary stock at 25 per cent., and £155,000 of 4 per cent. Debenture stock at par. Money required beyond that would be provided at a charge of 5 per cent. Mr. J. S. Forbes told the shareholders that the syndicate had practically bought about half the Ordinary stock of the District. The Act to confirm the agreement between the District Railway and the Traction Company was approved by the shareholders, and received the Royal Assent in August, 1901. Mr. J. S. Forbes, who had been chairman of the company, retired later in the year, whilst Mr. R. W. Perks and Mr. Murray Griffith joined the Board, the former being chairman.

Important developments are now taking place. The system of traction has been decided, the power station has been commenced, and with the syndicate behind the railway there is now no doubt about the money being found. Electrical traction is being provided on the Ealing and Harrow section of the District, and it is hoped to put it in operation before the end of 1902. The South-Western Railway sections from Turnham Green to Richmond, and from Putney to Wimbledon are to be electrified, to allow the District to continue exercising their running powers as at present. In the East, still more important developments are taking place. The Whitechapel and Bow Joint Railway links the District and Tilbury systems, and the latter company is applying for powers to electrify its line throughout. So District electric trains will in course of time be able to run at least to the extreme East of London. In addition the District is applying for running powers to Barking. Further power is being asked to electrify the East London Railway. The District Deep Level Railway, sanctioned by Parliament in 1897 is being transferred to the Brompton and Piccadilly Circus Railway, subject to the assent of Parliament. With the still wider proposals by which, through the operations of the Underground Electric Railways Company of London, the District will be made the centre of a vast network of new "tube" lines, we deal in another chapter. Hopes of the future are mainly based on the reasonable anticipation that traffic will greatly expand, that working expenses will be reduced, and that the capital cost of electrifying the District system will not only be provided for, but the undertaking put

upon a more profitable basis than it now is. In some respects the present District and Metropolitan systems have very great advantages compared with the "tube" lines. They have mostly open stations near the surface, without any need for lifts. Consequently they avoid the cost of lifts (about 10 per cent. of the total expenses on "tube" railways), and their lines are much more convenient for public use.

For the year 1901 the District Company earned a gross revenue of £381,000, of which £359,000 was derived from passenger traffic. The net receipts for the year were £154,000. Working expenses were at the rather high rate of 59 per cent. In the first two half-years of the Central London Company's operations the District fared as follows:—

		Half-year ending	
		† Dec. 31, 1900.	Dec. 31, 1899.
Gross receipts	... ..	£191,718	£210,648
Net profit	... ..	88,168	108,800
Dividend	... ..	1½ p.c. Pref.	Nil Pref.
		2½ p.c. Guardt. }	

		Half-year ending	
		June 30, 1901.	June 30, 1900.
Gross receipts	... ..	£200,748	£224,429
Net profits	... ..	87,552	115,561
Dividend	... ..	8½ p.c. Pref.	Nil Pref.
		8 p.c. Guardt. }	

† Five months' competition only.

In the course of the first eleven months the Central London was open, the District lost about £48,000 in gross revenue, and £48,000 of net profit.

At 31st December, 1901, the District capital amounted to nearly 8½ millions, including 2½ millions of Ordinary stock. Its mileage, owned and partly owned, was over 15 miles. It is worth noting that of its debenture debt, amounting to £1,998,825, nearly 1½ millions bears interest at the heavy rate of 6 per cent., whilst its 5 per cent. Preference stock was issued rather under par.

Under the present financial control the Ordinary stock is from time to time a favourite medium for speculation, but the investor who believes that electrification will improve the position of the company, should be content with the Debenture and Guaranteed stocks, which seem to hold out more solid attractions to those who are not actually "behind the scenes."

The East London with its capital of over 5½ millions for a mileage of about 5½ miles, is probably the most outrageously over-capitalised railway in the country. As the net revenue for 1901 was only £28,000, and varies very little from year to year, it goes without saying that the majority of its stocks get no return whatever.

Its huge capital has arisen from the capitalisation of large arrears of interest, but of course its original cost was heavy, as for the most part the system represents tunnelling under the Thames. The line runs from a junction with the Great Eastern near Liverpool Street to the Brighton and South-Eastern Companies' main lines at New Cross. It is worked under a guarantee of a minimum rent by the

Brighton, Metropolitan, District, and Great Eastern Companies. At the present time a loss is entailed in working. In 1902 the Metropolitan and District Companies are seeking for power to adapt the East London for working by electrical power, though that company itself did not appear to have made up its mind whether such a step is desirable or not. Even the East London has felt the competition of the Central London, because of the falling-off in "through bookings" from the District and Metropolitan systems.

CHAPTER XXV.

METROPOLITAN "TUBES": PRESENT AND FUTURE.

To the City and South London belongs the credit of being the pioneer of the new system of "tubes" in the Metropolis, as well as being the first electric railway operated in London. Now the system is extending rapidly, and two other similar systems are actually in operation, whilst a third is nearly completed. Numerous further lines are authorised or projected, and whilst admitting that some of these will not reach the construction stage, there is not much doubt that the "tube" principle will be extensively applied to the solution of problems of locomotion in the Metropolis. The advent of American financiers into this sphere of enterprise has at least had the effect of stimulating it, and though financially these schemes may really be regarded as on their trial, it would not be surprising if before long a financial "boom" in the securities of these concerns were to be witnessed. With the new projects it is impossible to deal in detail, because not only were the Bills comprising a number of them "suspended" in 1901, but the vast majority are in the Parliamentary melting-pot in 1902, either in their original form as new schemes, or with applications for important amendments to the schemes as originally sanctioned by Parliament.

In the present chapter it is proposed to deal fully with the three "tube" lines actually in operation, and also with

the fourth, which at the time of writing is approaching completion, and then, in conclusion, to give a general outline of new schemes.

THE CITY AND SOUTH LONDON.

The City and South London was opened for traffic in December, 1890. Originally it ran from King William Street to Stockwell. But in February, 1900, the line was extended northwards to Moorgate Street, and in the following June a southern extension to Clapham Common was opened. In November, 1901, a further addition was made of the section from Moorgate Street to the Angel, Islington. Thus at present the line extends almost due North and South, from the Angel to Clapham Common. Yet a further extension from Islington to Euston was comprised in the Islington and Euston Railway Bill, which was, however, rejected by the Lords' Committee to which it was referred early in 1902. It may be noted that a section of the original line from the South side of the Thames to King William Street Station—about half-a-mile—is unused, but it is proposed to make use of it again, in order to relieve pressure at London Bridge. By the extension to Islington, the City and South London became nearly half-a-mile longer than the Central London, and is thus the longest "tube" at present in operation.

Like all pioneers it has had to pay rather dearly for its experience, whilst others have profited thereby. To some extent its operations are cramped by the design of the original section of the line—the small diameter of the tube and the length of the platforms.

Financially it cannot be regarded as a conspicuous success, but it has shown improvement. Dividends since the opening of the line have been as follows :—

Year.							Dividend on Ordinary stock.
1891	...	...	...	...	...	...	nil per cent.
1892	...	...	...	...	...	...	1 $\frac{1}{2}$ "
1893	...	...	...	...	...	...	1 $\frac{1}{2}$ "
1894	...	...	...	...	...	...	1 $\frac{1}{2}$ "
1895	...	...	...	...	...	...	1 $\frac{1}{2}$ "
1896	...	...	...	...	...	...	1 $\frac{1}{2}$ "
1897	...	...	...	...	...	...	1 $\frac{1}{2}$ "
1898	...	...	...	...	...	...	2 $\frac{1}{2}$ "
1899	...	...	...	...	...	...	1 $\frac{1}{2}$ "
1900	...	...	...	...	...	...	1 $\frac{1}{2}$ "
1901	...	...	...	...	...	...	2 "

In regard to 1901 it should be remembered that it had the advantage of the Islington Extension traffic for only a few weeks. On the other hand the company has to bear an additional £12,000 per annum of Preference charges, whilst it has to provide a full year's dividend on £475,000 new Ordinary capital out of revenue, against only a six weeks' charge in 1901. It may be noted that at the end of 1901 the Preference capital of the City and South London became available for Trustee investments, the company having then paid a dividend on its Ordinary for 10 years.

In 1901 the City and South London carried over 12 $\frac{1}{2}$ millions of passengers, compared with 41 millions carried by the Central London, and over 4 $\frac{1}{2}$ millions by the

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Waterloo and City. Of course all the figures relating to 1901 must be taken subject to the fact that the Islington line was only open for a few weeks.

At 31st December, 1901, the total capital of the City and South London was £2,276,000, including £1,880,000 of Ordinary stock. Gross receipts were £116,255 for the year, and working expenses £57,854, or rather under 50 per cent. In 1895 they were 61 per cent., and with the growing traffic of the company the ratio tends to further decline. The management of this company is energetic and makes the most of its opportunities, but for the future security of investors in the concern the company might very well increase its charges to revenue for maintenance and renewals.

CENTRAL LONDON.

Few railway companies have been so conspicuously successful at the very commencement of their operations as the Central London. For the first five months' working 8 per cent. per annum was paid, and for 1901 4 per cent. was paid on the Ordinary stock, giving 4 per cent. on the Preferred, and 4 per cent. on the Deferred. From the very start it seems to have found traffic waiting for it, and its excellent route as a continuation of the London United Tramways system provided it with a large traffic from the Western suburbs to the heart of the Metropolis. Its uniform fare of 2d. seems to have been highly remunerative, and in 1901 it earned a gross revenue of £388,000, and a net profit of £152,872. But for the fact that its capitalisation was very heavy, the dividend would have been better,

for earnings and profit were excellent for so short a mileage. The cost of working the lifts is a heavy item, as the following statement of expenses on that account to 31st December, 1901, will show:—

Date.	Lifts.		Total expenses.
	Repairs.	Wages, etc.	
Aug. to Dec., 1900 ...	£956	5,059	70,484
Jan. to June, 1901 ...	1,818	5,228	90,267
July to Dec., 1901 ...	2,485	5,187	90,544
Total... ..	£5,259	15,474	251,245

Roughly 10 per cent. of the total expenses is incurred in the working of lifts, and the City and South London has to bear a similar outlay. This is an expenditure which "tubes" in general will have to bear, but which the Metropolitan and District Companies will escape.

In their certificate the auditors of the Central London have properly drawn attention to the need for establishing a fund for depreciation of working stock, machinery, and permanent way. A transfer of £10,000 to reserve was made in the second half of 1901, but was not specifically assigned to these purposes. As the "Vibration" Committee's report suggests that some of the rolling stock may have to be discarded, this question must not be disregarded in connection with the financial outlook for the Central London.

Owing to complaints in regard to the vibration experienced in the buildings adjacent to the Central London,

a Board of Trade Committee was appointed in January, 1901, with Lord Rayleigh, F.R.S., as chairman, to report on the matter, and also as to "what alterations in the "conditions of working or in structure can be devised to "remedy the vibration." That committee, according to their report issued in January, 1902, found that the vibration was really due to the large load not borne by springs, carried on each axle of the locomotives. Experiments indicated that motor carriages on the "multiple unit" system would absolutely remove the trouble, and that even a reduction of the "unspring-borne" load would be a great improvement. The Committee also suggested that a deeper and stiffer rail should be allowed for in new undertakings. Their introduction on the Central London was prevented by the height of rolling stock and the diameter of the tunnel.

At 31st December, 1901, the total capital issued by the Central London was £3,548,201. At the meeting in February, 1902, authority was obtained to issue £150,000 additional Ordinary capital, to increase the lift accommodation at Shepherd's Bush. Of the Ordinary capital at 31st December, 1901, amounting to £2,850,000, £495,000 was in the form of 4 per cent. Preferred stock, and £495,000 in the form of Deferred stock, the balance being undivided Ordinary.

In 1901 the Central London proposed to construct small loops at each end of its line, so that it could work its trains in a circle. The Bill was suspended with others at the end of the Session, but the Joint Committee in their report intimated that they did not favour the loop at the City end of the line, as the multiplication of such loops in

the heart of the City might operate to the "exclusion of "future railways." Partly on this account the suspended Bill of 1901 was abandoned, and in 1902 a much more important scheme was introduced, for a line from Hammersmith to the City *via* Knightsbridge, Piccadilly, Strand, Fleet Street, Cannon Street, Cornhill, St. Mary Axe, and Liverpool Street, with junctions connecting with the existing line, thus making a complete circle. The additional share capital proposed was 8 millions, with the usual one-third borrowing powers. This scheme was a bold one, and had several rivals in the 1902 Session of Parliament, and in the opinion of some authorities it would not improve the financial results of the Central London, if carried out. It is dealt with later among the new schemes, and it is only necessary to say here that it was rejected by Lord Windsor's Committee.

WATERLOO AND CITY.

The Waterloo and City is virtually an off-shoot of the South-Western Company, designed to meet the requirements of its suburban traffic. It is only $1\frac{1}{4}$ miles in length, and has no intermediate station. It was opened in 1898, and in every half-year since its traffic has shown steady growth, until in the year 1901 it carried 4,825,000 passengers, besides numerous season-ticket holders. A working agreement exists with the South-Western Company, under which the latter works and maintains the Waterloo and City for 55 per cent. of the receipts, or actual cost if less than that rate. But 8 per cent. on the whole capital of the Waterloo and City is made a first

charge on receipts before working expenses. All the surplus remaining after such 8 per cent. and working expenses is divisible, two-thirds to the Waterloo and City, and one-third to the South-Western. For the first time since its opening, the line in the second-half of 1901 earned a surplus of £104, working expenses having been only 45 per cent. But about £12,000 of past deficiencies has to be repaid the South-Western Company before any increase in the dividend paid to the Waterloo and City shareholders can take place.

GREAT NORTHERN AND CITY.

This line was sanctioned as long ago as 1892, and was intended to be a relief line to the City for traffic originating on the large suburban system of the Great Northern Company. Difficulty and delay occurred in raising the capital, but eventually in 1898 its construction was put in hand, and it is hoped that it will be opened during 1902. Its length is 3½ miles, from Finsbury Park to Finsbury Pavement, but in 1902 application is being made to Parliament for authority to carry it on to the Lothbury corner of the Bank, and to construct a circular subway there. This proposal was approved by the Lords' Committee. Provision is being made for a three minutes' service of trains on the "multiple-unit" system, and the carriages will, Sir Charles Scotter said early in 1902, be an improvement on those of both the Central London and the Waterloo and City. An agreement has been come to with the Great Northern for a station under the present Finsbury Park Station.

At 31st December, 1901, the Great Northern and City had already spent £1,440,000, but its total authorised capital was £1,560,000, with an additional £520,000 borrowing powers. All the share capital has been issued, and is sub-divided into £780,000 of "A" capital, and £780,000 of "B" capital, all in £10 shares. The "A" shares are entitled to 4 per cent. per annum, and then the Deferred to 5 per cent., any surplus being divided equally. For three years after construction the contractors, S. Pearson & Son, Ltd., have agreed to work the railway, guaranteeing 4 per cent. on the "A" shares, and 8 per cent. on the "B" shares during that time.

NEW SCHEMES.

In 1901 there were three "tubes" in operation, two in course of construction—the Great Northern and City, and Baker Street and Waterloo—and six others, including the "deep level" of the District, were authorised. But in that Session ten Bills, comprising new or extended powers, were introduced. So the whole of these new proposals were referred to a Joint Committee, to report on questions of route, protection of owners near proposed lines, etc., etc. Their report was presented too late for action to be taken in 1901, so all the ten Bills were suspended: but various recommendations were made, which will probably to some extent influence Parliament in the further consideration of this question. In 1902 the schemes which appeared in 1901, with various others, came before Parliament, and the task of deciding on the respective merits of

various proposals became more difficult than ever. To some extent the matter has been simplified by a grouping of some of the most important schemes, as follows:—

- I. *The District*, or "*Yerkes*" group, comprises:—The District (to be electrified); The District Deep-level; Brompton and Piccadilly Circus; Baker Street and Waterloo (under construction); Great Northern and Strand; Charing Cross, Euston, and Hampstead.

These are the schemes promoted or acquired by Mr. C. T. Yerkes, representing about 48 miles of railway, and estimated to cost about 15 millions sterling. Early in 1902 these interests were transferred to the Underground Electric Railways of London, Ltd., with a capital of 5 millions, secured by a combination of Messrs. Speyer Bros., London; Messrs. Speyer & Co., New York; and the Old Colony Trust of Boston, U.S.A., and others. A good deal of the mileage comprised in this scheme is already constructed or authorised, and the only alterations required are those necessary to combine the different schemes.

- II. *The London United Tramways*, or "*Morgan*" group, comprises the following:—The Piccadilly and City; The City and North-East Suburban (since withdrawn); North-East London, and London United Electric Railways.

Taken in conjunction with the 80 miles of electric tramways belonging to the London United Tramways Company in the western suburbs, this combination represents over 100 miles of passenger system. The proposed

railways comprised a united system running from Hammersmith *via* Hyde Park Corner, Charing Cross, Ludgate Circus, Mansion House, Monument, Liverpool Street, Shoreditch, Hackney, Tottenham, to Southgate, with a fork line to Walthamstow and Chingford.

Messrs. J. S. Morgan & Co. will undertake to provide a large part of the capital for this system, if it be authorised by Parliament. Obviously this is a very enterprising and promising scheme, both from the public and the financial point of view, but unlike the "Yerkes" scheme it is made up of proposals which first appeared in 1901 or 1902, and not previously sanctioned in any form.

As in some measure rivals to the above were the Charing Cross, Hammersmith, and District, and the Central London (New Lines) schemes, both rejected early in the Session. It will be noted that the Central London is at present fed by the large tramway system of the London United Tramways, and thus forms a useful direct connection between the outer western fringe and the heart of the City. If the tramway traffic is diverted to the new "Morgan" lines proposed, the Central London will be put in a much less favoured position. If it had obtained the powers from Parliament and constructed a line from Hammersmith to the City as it proposed, it would not only parallel its own existing line, but that of the District existing, and that proposed by the "Morgan" group. An inner circle in London without "feeders" thrown out to the suburbs seems to be a faulty scheme, and that is what the Central London proposal amounted to, and the company would do well to take the hint of Lord Windsor's Committee and drop it entirely. The Islington and Euston

line would be a useful extension of the City and South London, and should certainly receive Parliamentary sanction in some future session, in spite of its rejection by the Lords' Committee in 1902.

Independent "tubes" are:—

The Charing Cross, Hammersmith, and District (rejected in 1902); King's Road Railway; West and South London Junction; City and Crystal Palace (rejected in 1902); and others.

These suffer from the disadvantage of not offering the same public facilities as the more comprehensive new schemes under consideration. On this question an important suggestion was made in the report of the Joint Committee of 1901, before referred to, namely that the working of underground railways in and around London should be put under the supervision of some central authority.

CHAPTER XXVI.

THE TILBURY AND NORTH LONDON RAILWAYS.

The London, Tilbury, and Southend Company, though a comparatively small concern, has been very successful from the shareholders' standpoint. For many years it has shown steady and continuous improvement in dividend, and even in 1901 whilst other railways were reducing their distributions, the Tilbury managed to even increase its dividend.

It has become much less isolated than it used to be. By means of the Tottenham and Forest Gate Railway it has a direct and valuable connection with the Midland system. By the opening of the Whitechapel and Bow Railway it has a still more important and direct connection with the District Railway, and *via* that line to all the systems in the West of London. This new and valuable feeder has been built jointly by the Tilbury and District Companies. In consequence of this physical connection with the District and the probable provision of a through service of trains from East to West of London, the Tilbury Company is in the year 1902 applying for powers to electrificate its whole system.

The total capital of the Tilbury Company at the end of 1901 was 8½ millions, including £1,610,000 of Ordinary stock. In April, 1902, a new issue of £225,000 Ordinary stock was made at the price of 120 per cent., but this will not rank with the old stock until 1st July, 1905.

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For the year 1901 the revenue of the company was £428,000, of which sum £298,000 was derived from passenger traffic. Net receipts for the year were £178,000. Dividends paid on the Ordinary stock since 1890 have been as follows :—

1890	...	...	...	...	...	...	8½ per cent.
1891	...	...	...	...	...	...	8½ "
1892	...	...	...	...	...	...	8½ "
1893	...	...	...	...	...	...	8½ "
1894	...	...	...	...	...	...	4 "
1895	...	...	...	...	...	...	4½ "
1896	...	...	...	...	...	...	4½ "
1897	...	...	...	...	...	...	4½ "
1898	...	...	...	...	...	...	5 "
1899	...	...	...	...	...	...	5½ "
1900	...	...	...	...	...	...	5½ "
1901	...	...	...	...	...	...	5½ "

From 1898 to 1901 there was a continuous improvement of, in all, 2 per cent. in the dividend, and the company has also in the interval accumulated out of profits an amount of £84,418, which at the end of 1900 was transferred to the special reserve fund. This sum was accumulated to meet the liability of the Tilbury to contribute to the cost of widening the London and Blackwall Railway, part of the Great Eastern system, and which the Tilbury Company uses in gaining access to Fenchurch Street.

Early in 1902 an attempt was made to stir up a Parliamentary crusade against the Tilbury Company on behalf of certain local interests, but it failed. One absurd complaint made was that the Tilbury Company had declined

to widen its bridges to admit tramways to pass conveniently underneath. Railways are expected to do many things: but it is surely going a step too far to suggest they should incur heavy expenses to assist their competitors. And the Tilbury Company very properly declines to spend much money in view of the vital changes in its system which are foreshadowed.

Hitherto the North London Railway, though a small railway, has been a very prosperous one. From 1879 to 1892 inclusive this company paid regular dividends at the rate of $7\frac{1}{2}$ per cent. without a single break. The year 1893 was one in which very few railways indeed did not suffer, and in that year the North London only managed to pay $6\frac{1}{2}$ per cent. In 1894 it paid $7\frac{1}{2}$, and in 1895 only $6\frac{1}{2}$ again, but the latter falling off was almost entirely due to the severe weather in the first half-year, as the dividend in the second half recovered to $7\frac{1}{2}$. In 1896-1899 the former rate of $7\frac{1}{2}$ per cent. was again paid, so that the company soon recovered lost ground. But in 1900 and 1901 only $7\frac{1}{2}$ and $6\frac{1}{2}$ respectively was paid. With only 12 miles of its own line and 5 miles leased jointly the system is not a large one, but its trains cover a much greater area than that, as they run over the suburban lines of the Great Northern, North-Western, and other companies to a very large extent, 98 miles of foreign lines being worked over. It is probably the best managed of any of the suburban lines, and considering the very severe competition it has to face with tramways and omnibuses, its financial results are very creditable to the administration of the company. One great advantage it possesses is that it is an open-air route to the City.

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The total capital of the North London at the end of 1901 was £8,955,000. Its Ordinary stock amounts to £2,084,000, a considerable amount of which is held by the North-Western Company, whilst the latter has on the Board of the North London a majority of its own directors, including the chairman.

In 1901 the North London earned a revenue of £551,000, including £822,000 from passengers.

It should be noted that though since 1896 its business as a whole has grown and its receipts have advanced by £88,000, its passenger receipts are actually rather lower. This is due to strenuous competition with tramways and 'buses, whilst onerous conditions as regards workmen's trains have been imposed upon it. Like all railway companies in and around the Metropolis it also finds its burden of rates and taxes growing very rapidly. In 1901 it paid £46,000 on this account.

The North London is threatened by further serious competition by the opening of the Great Northern and City Railway, whilst the City and South London Company's Islington extension has diverted some traffic. Owing to this growing competition and the fall in the dividend, the price of the stock which for many years exceeded £200 per cent., has lately fallen to about 160.

CHAPTER XXVII.

THE CALEDONIAN RAILWAY.

Whilst second to the North British in point of mileage, the Caledonian is the principal of the Scotch railways as regards revenue, if the subsidiary companies' receipts of the North British be excluded. It is a very strong company, and during recent years, in spite of heavy additions to capital and to working expenses, it has shown a better dividend record than most English companies.

The mileage of the Caledonian Company on 31st January, 1902, was shown as 948½. Of this 154 was only partly owned by it. In addition it owns the Forth and Clyde Canal, the length of this being 52½ miles, whilst the amount of the capital of the Caledonian Company invested in this undertaking was £2,801,000.

In all, the capital of the Caledonian Company on 31st January, 1902, excluding merely nominal creations, was over 48 millions. The Ordinary stock issued to the same date was £18,884,000.

It will be noted from Table I. that the Ordinary capital of the Caledonian is not only the largest of any of the Scotch railways, but the proportion to total capital, namely 42½ per cent., is only exceeded by the North-Eastern Company. It has for a long time been the invariable practice of the Caledonian to issue additional share capital as Ordinary stock, and as capital requirements have been very large a new issue appears on the

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average about every year and a half. Its capital account to 31st January, 1902, showed that it had over-expended by £1,882,000, and its balance sheet also indicated that it had to resort to temporary loans. So another issue of share capital is over-due. The Company might very well change its method of raising capital in the future and issue Preference instead of Ordinary stock, however, and it would be amply justified in doing this. In thus changing its policy the Caledonian would only be following the lead of its partner, the North-Western.

During the last ten years the Caledonian has expended on capital account a sum of about 10½ millions sterling, and as a result of this the mileage open has increased by 74 miles. More than half the requisite capital has been raised by the issue of Ordinary stock, whilst considerable premiums have been received on this stock. No Preference stock has been issued by this company for over twelve years. There has been a very large growth in both gross and net revenue, with the result that this capital expenditure has been fairly remunerative, though a good deal of it has not yet developed its full earning power.

Unfortunately the company has now to provide for the very expensive work of widening its bridge over the Clyde into Central Station, Glasgow, and also of extending the station itself. Thus for some time to come capital requirements will be large.

The recent dividends of the Caledonian Company have been as follows :—

1890	...	...	...	...	...	...	4½ per cent.
1891	...	...	...	...	...	...	4½ „
1892	...	...	...	...	...	...	4½ „

1898	...	...	...	...	...	...	4½ per cent.
1894 (strike year)	...	...	...	...	...	...	8½ „
1895	...	...	...	...	...	...	5 „
1896	...	...	...	...	...	...	5 „
1897	...	...	...	..	...	...	5½ „
1898	...	...	...	...	...	...	5 „
1899	...	...	...	...	...	..	4½ „
1900	...	...	...	...	...	...	4 „
1901	...	...	...	...	...	...	4 „

It will be seen that from 1892 to 1897 there was an improvement, broken only by the Scotch coal strike in 1894, in the second half of which year the Caledonian lost £184,000 in mineral traffic. The dividend for 1897 was equalled in 1899, when the rate paid was also 5½ per cent., but beyond that it is necessary to go back to 1877 to find a higher distribution. In that year 6½ per cent. was paid, and two years previous to that as much as 6¼ was paid.

The revenue of the Caledonian Company for the year 1901-2 was £4,824,000. From goods and live stock it derived a revenue of £1,178,000, or 27·24 per cent. of the total. From mineral receipts, on which it is largely dependent for its prosperity, the receipts were £1,177,000, or 27·21 per cent. of the total revenue. Passenger traffic yielded £1,695,000, or 39·20 per cent., and sundries £277,000. The principal item included in the latter figure was £124,000, representing the receipts from the Forth and Clyde Canal. The cost of working this waterway was £38,000, so that it yielded a net revenue of £86,000, equal to the satisfactory return of nearly 4 per cent. on the capital outlay.

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The working expenses of all Scotch railways are rather lower than in the case of the English lines, and in 1901-2 the Caledonian Company's ratio of expenses to receipts was only 54½ per cent. This was however 6½ per cent. higher than in the year 1896-7. Compared with 1885-6 and 1896-7 the gross revenue and expenditure of this company were as follows:—

Half-year ending	Gross Revenue.		
	1885-6.	1896-7.	1901-2.
31st July...	£1,486,841	1,826,298	2,100,628
31st Jan....	1,449,558	1,881,485	2,228,851
Total...	£2,885,894	8,707,778	4,824,474

Half-year ending	Working Expenses.		
	1885-6.	1896-7.	1901-2.
31st July ...	£687,627	870,659	1,162,507
31st Jan. ...	696,070	900,712	1,184,898
Total...	£1,383,697	1,771,371	2,347,400

Thus whilst in the sixteen years the gross revenue increased by £1,488,000, or 50 per cent., the increase in expenses was only about £968,000, a satisfactory showing compared with the experience of most companies.

It is a notable fact, however, that nearly all the addition to gross revenue since 1896-7 was absorbed by increased expenses.

There is one matter which, in the instance of the Caledonian Company, has, no doubt, contributed to the

results shown in recent years, and that is the agreement entered into in 1892 with the North British, whereby wasteful competition and incursions into each other's districts by new lines were done away with. In Scotland the North British and Caledonian Company are head and shoulders above any of the other railways, and come into competition with each other at numerous points not touched by any other company. As a consequence, competition was, of course, natural, but for a long time it was rather too fierce to be pleasant, and certainly was not remunerative—rather the opposite. So in 1892 an agreement was entered into for a period of twenty-five years. The agreement was referred to in the North British Railway Directors' report, dated March, 1892, in the following terms :—

“ The agreement between this Company and the Caledonian Company, whereby each Company is precluded for a period of twenty-five years from promoting, or in any way aiding in the promotion of lines into the districts of the other, will ensure a cessation of the costly expenditure on Parliamentary litigation which has constituted such an onerous burden on the revenues of the Company, while that part of it which provides for the apportionment of certain receipts between the two companies will render unnecessary the heretofore wasteful expenditure in connection with competitive traffic. Arrangements are in course of being made for the interchange of facilities over the lines of the respective companies, which the Directors believe will assure the trading and travelling public that the agreement will

"be as much in their interests as in those of the share-holders."

How far the spirit of that agreement, if not its letter, has been departed from by the support given by both the Caledonian and North British Companies to independent companies which were obviously created as cats-paws, it is difficult to decide. But even in this respect there is at present some sign of improvement.

In 1890 the Caledonian Company obtained powers from Parliament for the conversion of its Ordinary stock into Preferred and Deferred. The plan followed was practically that adopted by the North British in 1888, namely the "duplication" of each £100 Ordinary stock, by issuing therefor £100 of 8 per cent. Preferred Ordinary stock, and £100 of Deferred Ordinary stock. In both the Caledonian and North British cases the Preferred Ordinary is entitled to its dividend out of the profits of each separate half-year, though, whilst the former was optional, the North British conversion was compulsory. This half-yearly charge is in some respects to be regretted, as it detracts from the security of the Preferred, and gives an element of speculation to what was meant to be an investment security. However, the Caledonian has never failed to pay the 8 per cent. regularly on the Preferred since its creation, and indeed it is necessary to go back to 1880 to find even a half-yearly dividend of the Caledonian Company which was below the requisite 8 per cent. The popularity of the Preferred stock may be gathered from the fact that it rose in 1896 to some points over par, though it has since fallen again with all stocks of the same class. Out

of a total Ordinary capital of $18\frac{1}{4}$ millions, nearly $12\frac{1}{2}$ has been converted into the duplicate stocks.

The prospects of the Caledonian Company are fairly good, and in spite of any temporary falling off which may take place from possible outside labour troubles, and the probable large addition to capital charges, there is every reason to hope it will in the next year or two give a good account of itself.

The dividend may indeed suffer temporary decline in the near future on account of the dead weight of undeveloped capital expenditure, but there is every reason to look for a recovery over a number of years. There has been a very large capital expenditure incurred by this company in various directions of late years, which has not had time to develop its full earning power. To some extent too the Ordinary stock is prejudiced by rather frequent new issues, and the further capital requirements of the Company may result in the issue of more Ordinary capital, though as no Preference capital has been issued for many years, the Company would be quite justified in raising money in that form, in fact it would be highly injudicious to issue more Ordinary capital in the circumstances. This is the one weak point on which investors should keep an eye, though, of course, it may be only a matter of a short time for the Company to overtake any additions to its capital burdens.

Caledonian management is sound and progressive, and it is taking a prominent part in the efforts to economise by advanced methods of working. It is also worthy of note that in the accounts for the half-year to 31st January, 1902, the Caledonian has prudently set aside £15,000 for a

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capital displacement fund, the intention being to augment this fund from time to time—an example which should be followed in other quarters.

The Preferred Ordinary stock is a good investment, yielding at the present price of 88 the liberal return of nearly $8\frac{1}{2}$ per cent. The Deferred Ordinary stock is also a fairly promising speculation.

CHAPTER XXVIII.

THE NORTH BRITISH RAILWAY.

At 31st January, 1902, the total mileage of the North British system was 1,146½, of which 1,077½ was entirely owned by it, and the balance represented mileage partly owned or leased. Its total revenue for 1901-2 was £4,478,000, but that figure included £225,000 of net revenue paid over to the Forth Bridge and West Highland Companies. In point of mileage the North British is the first of the Scotch railways. But in regard to gross and net revenue, if the payments to the West Highland and Forth Bridge Companies be deducted, there is not a great difference between that company and the Caledonian.

Both companies have shown large increases in their gross receipts of late years, but the North British figure has grown quicker than that of its rival, for if we go back five years we find the gross receipts of the North British were over £14,000 behind the Caledonian. But in 1901-2 the North British receipts, including those of the subsidiary lines referred to, were higher than those of its rival by about £150,000.

For 1901-2 its total revenue of £4,478,000 was made up of £1,254,000 of goods, £1,811,000 of minerals, £1,785,000 of passenger, and £178,000 of miscellaneous receipts. Its passenger revenue has shown the largest growth in recent years, having increased since 1896 by £822,000, or 22½ per

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cent. Working expenses in 1901-2 were £2,269,000, or 50.72 per cent.—the lowest of any leading railway in the country.

In 1901-2 the North British Company paid as net revenue to the West Highland and Forth Bridge Companies the following sums:—

	West Highland.	Forth Bridge.
Half-year ended 31st July, 1901	£47,472	71,690
„ 31st Jan., 1902	£38,788	67,565
Total	£86,260	139,255

Thus the net receipts in respect of these two subsidiary companies, included in the North British accounts, amounted as above stated to over £225,000. What the gross receipts were, or the working expenses, the accounts do not show, though such information would certainly be interesting, and should be regularly supplied. Both the companies are guaranteed by the North British, in the case of the West Highland entirely by it, but in the case of the Forth Bridge only in conjunction with three other companies. The North British Company guarantees 8 per cent. on the capital of the West Highland, but in consideration of this guarantee it has a right to all net revenue over the sum necessary to pay 8 per cent. An extension from Banavie to Mallaig by the West Highland, authorised in 1894, was opened for traffic on 1st April, 1901. The Government guarantees 8 per cent. on £260,000 of the capital, and besides contributed £30,000 to the cost. In the case of the Forth Bridge, the North British guarantees jointly with three other companies, 4 per

cent. on the capital, amounting to about 8½ millions. The proportions in which the guarantee is given are as follows:—Great Northern and North-Eastern each 18½ per cent.; Midland, 82½ per cent.; and the North British the remaining 30 per cent. So far this guarantee has not involved any payment by the guarantors, nor is such a contingency likely, for the reason that the Forth Bridge Company has a bonus allowance on traffic passing by that route. In fact recently there has been a surplus on working which according to the joint arrangement between the four guarantor companies was paid over to the North British.

To establish a fair comparison of the growth of North British revenue, it is necessary to deduct the sums paid away to these two subsidiary undertakings. On this basis the North British gross receipts and net receipts for 1901-2 compare as follows with 1890-1 and 1896-7:—

	1890-1.	1896-7.	1901-2.
Gross Receipts	£8,052,965	8,515,114	4,248,000
Net Receipts ...	1,501,646	1,744,586	1,979,000
Amount of revenue deducted in re- spect of Forth Bridge and West Highland Com- panies	71,895	178,061	225,000

Thus it will be seen that the increase in gross receipts in the past five years was about £788,000, whilst the increase in net was £285,000 as regards the North British proper, which is certainly a satisfactory result. This proportionately large addition to net receipts was reflected in an

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increased dividend, for in 1896-7 the sum distributed on the two Ordinary stocks was £305,000, whilst in 1901-2 a sum of £364,271 was thus divided.

It is interesting to note that in 1896-7 the working expenses of the North British and Caledonian were, within £800, the same, the former having been £1,770,578 and the latter £1,771,371. In 1901-2 they were very similar in amount, the North British figure being £2,269,000 and the Caledonian £78,000 more.

A comparison of North British dividends is rather difficult on account of the half-yearly Preference right carried by the Preferred Ordinary. Since 1890, however, the half-yearly distributions of the Divided stocks, and the equivalent rates on the Ordinary stock for the year have been as follows :—

Half-year.	Preferred.	Deferred.	
First half, 1890	8	1½	} 3½
Second „ 1890	1½	nil.	
First „ 1891	1	nil.	} 2½
Second „ 1891	8	½	
First „ 1892	2½	nil.	} 3½
Second „ 1892	8	½	
First „ 1893	8	½	} 8½
Second „ 1893	8	1	
First „ 1894	8	½	} 2½
Second „ 1894	1½	nil.	
First „ 1895	8	nil.	} 8½
Second „ 1895	8	1½	
First „ 1896	8	1	} 4½
Second „ 1896	8	1½	

Half-year.	Preferred.	Deferred.
First half, 1897	8	1 } 4½
Second „ 1897	8	1½ }
First „ 1898	8	¾ } 4½
Second „ 1898	8	1½ }
First „ 1899	8	¾ } 3½
Second „ 1899	8	1 }
First „ 1900	3	½ } 3½
Second „ 1900	8	½ }
First „ 1901	8	¾ } 4½
Second „ 1901	8	2½ }

Previous distributions on the Ordinary stock before it was “duplicated” were as follows:—

	Dividend on Ordinary stock.
1870	nil.
1875	4½
1880	1½
1885	2½
1886	8
1887	3½
1888	5

From the above it will be gathered that the results of the North British fluctuate very considerably. This is mainly due to the fact that the Ordinary stock is small for so large an undertaking, and in illustration of this it may be pointed out that each one per cent. of dividend over three per cent. represents, in the case of the North British, only £94,000, and each one per cent. under three per cent. only £70,000, whilst each one per cent. on Caledonian Ordinary

stock is equal to £184,000. In these circumstances large fluctuations in the North British dividend are unavoidable, especially as owing to the right of the Deferred stock to receive a dividend, if earned in any half-year, profits have to be divided up to the hilt.

This it is that has contributed to give the North British Deferred (or "Ordinary") stock its popularity as a speculative medium. In recent years this security has been stripped of a good deal of its speculative attractions in common with other members of the Home railway group; but its position is such as to speedily restore it to favour whenever speculation in Home Rails becomes once more the fashion.

There are many interesting points about the capital account of the North British Company, and one of the principal is its Ordinary stock. It was the first large railway company to obtain powers to "duplicate" its Ordinary stock. Prior to the carrying out of this conversion, the North British had besides its own Ordinary stock, amounting to about 5 millions, a stock called the Edinburgh and Glasgow Ordinary stock (which was entitled to share in North British dividends over three per cent.), amounting to about £2,422,485. In order to do away with the latter, it was arranged to issue £5,180,868 of 8 per cent. Preferred Ordinary to represent that amount of North British Ordinary stock, and £7,608,858 of Ordinary stock representing £5,180,868 of the original Ordinary stock, plus £2,422,485 of Edinburgh and Glasgow stock, this new creation being entitled to all surplus profits in each half-year. Since 1888 the Preferred and Ordinary (or Deferred) stocks have both been largely increased by the exchange

of Convertible Preference stocks, at the rate of £100 of each of the Ordinary stocks for each £100 of Convertible Preference stock, but the Deferred issue always exceeds the Preferred stock by £2,422,485, the amount of the Edinburgh and Glasgow stock.

From 1888 to 31st January, 1902, the total amount of Preference stock converted into the Ordinary stocks was £1,868,000. It is worth noting that there still exists about £6,400,000 of 4 per cent. Convertible Preference stocks, which may at some future date be transformed into twice that amount of the Ordinary stocks. So soon as the value of £100 of both the Preferred and Deferred stocks exceeds the market value of £100 of Convertible Preference as an investment security, the exchange would be profitable. In recent years, owing to the very small dividends paid on the Deferred and the low prices commanded by it in the market, it has not been profitable to make the exchange, unless occasionally to snatch a small "turn," so since 1896 only about £300,000 stock in all has been converted from Preference into the Preferred and Deferred Ordinary issues. In the future it is highly probable that more opportunities will offer. The investor who would like therefore to obtain a thoroughly good investment security, carrying with it, however, a direct speculative interest in the future of a large railway, could not do better than purchase this stock, for whilst it will benefit from any marked improvement in the dividend paid by the North British Company, it will not, as a Preference stock, suffer appreciably from any temporary decline in profits. Most reversions of this kind give an additional value to the stock which carries them; but in this instance at any rate

the stock is simply valued on its merits as an investment security.

North British Deferred stock in proportion to the dividend paid on it has generally stood relatively high. For this two main features of it are accountable. In the first place it is a popular speculative investment, and in the second place its relatively small amount gives it a high reversionary value. Its wider popularity compared with Caledonian Deferred, has frequently led to an apparent anomaly in the market valuations of these two stocks. But in considering the future of them it should always be kept in view that the dividends on the North British stock would respond quicker to a corresponding increase in revenue than the Caledonian stock. It is also a notable fact that whilst the dividend on North British Deferred for 1901-2 was the best for twelve years, the price was by no means the highest of the period. One reason was that the dividend for 1901-2 obviously benefitted from the Glasgow Exhibition, and the exceptionally good tourist season in Scotland. That largely contributed to the advance in the dividend by $1\frac{1}{4}$ compared with the previous year. In fact the North British had the distinction of paying absolutely the best comparative dividend of any British railway for the second half of 1901-2, namely $2\frac{1}{2}$ per cent. per annum against $\frac{1}{4}$ per cent. For the first time for many years North British Deferred yielded a return on the year's dividend of $8\frac{3}{4}$ per cent.

In 1901 an important case was decided by the Railway Commissioners, which not only had a direct bearing on the Scotch Railways, but in the principle established it is of vital concern to all British Railways. Owing to the

increased cost of coal and the declining profits of railways all companies were on the *qui vive* for extra sources of profit, and on the 1st January, 1900, the three principal Scotch Railway Companies advanced their coal rates 1d. to 8d. per ton according to distance. This advance was contested by the coalmasters. The companies defended the increase on six grounds :—(1) Shortening of hours and increase of wages ; (2) increase in price of plant, stores, materials, and fuel ; (3) new and onerous statutory obligations ; (4) increased facilities accorded to coal traffic ; (5) additional capital expenditure for improved working of traffic ; (6) altered requirements of the coal traffic. They sought to prove their case by statistical evidence ; but this was necessarily largely based on estimated figures, which as one of the Commissioners said, “ may be subject to “an infinity of pitfalls.” The Railway Commissioners agreed that the companies had failed to discharge the onus resting upon them under the Act of 1894 of showing that the increase in rates was “ reasonable.” One Commissioner said in the course of his judgment, “ I take the case entirely on the figures presented for our consideration by “ the respondents, and these seem to me to be founded “ upon estimates and calculations which are entirely un- “ convincing.” So the companies lost their case, and besides being ordered to desist from further charging the increased rates, they had to pay such sum as was decided, upon inquiry, to represent the loss to the coalmasters. The matter was compromised early in 1902. In the accounts to 31st January, 1902, the North British made provision for the matter by carrying £16,000 to Suspense Account. This case strongly emphasised the importance of more

exact statistics than those at present supplied by our railways.

At the end of 1901 the total nominal capital of the North British was over 58 millions, but of this certainly one-fourth was nominal increase. The nominal additions are not separately shown in the capital account, as is generally the case, though they are detailed for each separate half-year. From certain particulars given in the accounts, however, the following amounts of nominal increase are to be traced:—

I. Under Act of 1888, Consolidation of Ordinary, etc...	£5,180,868
II. Act of 1890, Conversion, etc., of Debenture stocks	3,265,486
III. Act of 1895, Conversion of Lien stock	1,770,461
IV. Nominal additions by conversion into Ordinary of Convertible Pre- ference stocks	1,868,000
V. Division of Edinburgh and Glas- gow Preference	2,422,485
	<hr/> £14,502,800 <hr/>

Thus over 14½ millions are fully accounted for, and if the full particulars were available it would probably be found that the total nominal additions were even larger. During the ten years ended 31st January, 1902, the North British is shown by comparison of its capital accounts to have expended over 8 millions, after allowing for nominal

increases. The nominal increases during the ten years were about $5\frac{1}{2}$ millions.

At the 31st January, 1902, the capital account showed a credit balance of £5,800, and as it had $1\frac{1}{2}$ millions of loan capital available for issue, there is no likelihood of any new issue of share capital for a long time.

The Preferred Ordinary of this Company is a fair investment with a liberal yield, and the Deferred is an attractive speculative investment.

CHAPTER XXIX.

THE SMALLER SCOTCH RAILWAYS.

The only Scotch railways, other than the Caledonian and North British, which are of any importance, are the Glasgow and South-Western, the Great North of Scotland, and the Highland Companies. Of these three the first named is the most important. Its total mileage open for traffic at the beginning of the present year was 501. Its total capital, excluding nominal additions, is about 16 millions. The gross receipts of the Glasgow and South-Western for the year ended 31st January, 1902, were £1,755,000. Its proportion of goods traffic was larger than that of the Caledonian or North British Companies, being nearly 80 per cent., or £519,000. Mineral traffic, which abounds almost throughout its system, yielded a revenue of £400,000, or 22.75 per cent. From passengers, however, the Glasgow and South-Western earned most of its revenue, the receipts from this source being £798,000, or about 45 per cent., and sundries £48,500, the principal item included therein being rents of property owned by the company.

It should be noted that its passenger receipts represented a larger proportion of its total revenue than those of any of the principal Scotch Railways. Since 1896, moreover, its receipts on that account have increased by £161,000, and the proportion to total revenue has risen from 48.47 to 45.19 per cent. Its Clyde tourist and pleasure traffic

during the summer season yields it a large and, increasing revenue; but profits are reduced by keen competition.

The working expenses of the Glasgow and South-Western were relatively much higher than in the case of the other leading Scotch lines, for in 1901-2 they amounted to £1,042,000, or 59.88 per cent. of the gross receipts. Included in that figure was a sum of £59,000 in respect of the working of steamboats, which this company commenced on its own account some years ago. The receipts from the steamboats are not separately shown in the published accounts, and as most of the traffic would be for rail and steamer combined, the amounts due to each do not appear to be apportioned. It may be mentioned, however, that the capital invested in them at 31st Jan., 1902, was £128,250, and has remained at that figure for a number of years.

The Glasgow and South-Western system is mainly in the county of Ayrshire, and in consequence of this its Ordinary stock is frequently called "Ayrshire." It has almost a monopoly of the south-west of Scotland, though much of its line traverses very sparsely populated districts. As a matter of fact, out of its total mileage of 501 more than 100 miles are of single line. It works in connection with the Midland Company a considerable traffic—especially goods—between England and Scotland. A great effort was made in 1901 to secure a larger share of the passenger traffic.

Both the large Scotch railways have proposed to amalgamate with the Glasgow and South-Western, but mutual opposition has prevented such a scheme being carried out. In 1889 a Bill of the Glasgow and South-Western and North British Companies seeking for powers to amalgamate,

received the sanction of the shareholders of both, and was also approved by the Midland proprietors. The proposal actually passed the House of Commons, but was rejected by a Committee of the House of Lords. The Caledonian Company at the same time put forward a counter proposal, and that too was rejected.

The Glasgow and South-Western is in a good position to look after itself, and earn for its shareholders fairly good dividends. Subjoined is a comparison of the dividends paid by this Company over a number of years :—

1870...	...	...	...	...	...	5½ per cent.
1875...	...	...	...	...	...	3½ "
1880...	...	...	...	...	...	5 "
1885 ..	...	...	...	...	...	4 "
1888...	...	...	...	...	...	4 "
1889...	...	...	...	...	...	4 "
1890...	...	...	...	...	...	3¼ "
1891...	...	...	...	...	...	3¼ "
1892...	...	...	...	...	...	4½ "
1893...	...	...	...	...	...	3½ "
1894 (strike year)	...	...	...	...	...	3½ "
1895...	...	...	...	...	...	4½ "
1896...	...	...	...	...	...	5½ "
1897...	...	...	...	...	...	*5 "
1898...	...	...	...	...	...	*5½ "
1899...	...	...	...	...	...	*4½ "
1900...	...	...	...	...	...	*3½ "
1901...	...	...	...	...	...	*4½ "

* Original Ordinary stock as such all disappeared in December, 1897, being replaced by Preferred and Deferred stocks. Dividends are given on basis of original stock.

Bearing in mind the fact that the Ordinary stock is only about $5\frac{1}{2}$ millions, dividends have not shown great fluctuations. Excluding 1894, an exceptional year on account of the strike, the dividend fluctuated between $3\frac{1}{2}$ and $5\frac{1}{2}$ only between 1888 and 1901.

The total capital expenditure of the Glasgow and South-Western at 31st January, 1902, was £15,968,000. During the past ten years it has expended £3,741,000 on capital account, and has added 46 miles to its system.

This company has issued very little Ordinary stock since 1881, the amount of this stock standing now at £5,667,000 compared with £4,927,920 in 1881. The requirements on capital account have mainly been met by the issue of Preference stocks. The Glasgow and South-Western was jointly interested with the North British in the City of Glasgow Union Railway, and held £800,000, or half of the capital of the latter. This subsidiary concern was really only a joint line, worked and maintained and having its rolling stock provided by the two owning companies. So in 1896 it was agreed to dissolve this company, each of the owning companies taking their proportion of the joint line, and issuing their own stock for the same. At the present time it is spending capital rather freely on the extension of St. Enoch Station, Glasgow, and other works. In 1901 it also acquired Troon Harbour at a cost of £168,000.

Besides its original Ordinary stock this company has £442,250 of Deferred stock, entitled to rank with the Ordinary stock in half-yearly dividends over 5 per cent. It was issued in 1881 to represent contingent rights, which formerly belonged to three Preference stocks, but which were separated when these were consolidated. In

1881, 1882, and 1883 this stock received dividends, but nothing was paid again until 1896 and 1898, when it received $\frac{1}{8}$ per cent. By its Act of 1896 the company was empowered to convert its Ordinary stock compulsorily into $2\frac{1}{2}$ per cent. Preferred Ordinary and Deferred Ordinary stocks on similar lines to those adopted by the Midland.

The Glasgow and South-Western is likely to maintain or even improve its dividend results in the future, and its Ordinary stocks will probably advance in value. At the present time its Deferred Ordinary stock stands, relatively to its dividend, lower than the stocks of the Caledonian or North British.

The Great North of Scotland has during the last fifteen years shown steady improvement. Owing to the small amount of its Ordinary capital, dividends in the case of this company have on the whole shown great fluctuations, but latterly they have been much more steady. During the last sixteen years the dividends paid by this company have been as follows :—

Years.							Dividend on Ordinary stock.
1886-7	...	...	...	...	...	...	1 per cent.
1887-8	...	...	...	...	...	...	$1\frac{1}{4}$ „
1888-9	...	...	...	...	...	...	$1\frac{1}{4}$ „
1889-90	...	...	...	...	...	...	$1\frac{1}{4}$ „
1890-1	...	...	...	...	...	...	$1\frac{5}{8}$ „
1891-2	...	...	...	...	...	...	8 „
1892-3	...	...	...	...	...	...	$8\frac{1}{2}$ „
1893-4	...	...	...	...	...	...	$8\frac{1}{2}$ „
1894-5	...	...	...	...	...	...	$8\frac{1}{2}$ „
1895-6	...	...	...	...	...	...	$8\frac{1}{2}$ „

Years.						Dividend on Ordinary stock.
1896-7	...	...	...	...	...	8½ per cent.
1897-8	...	...	...	...	...	8½ "
1898-9	...	...	...	...	...	8½ "
1899-1900	...	...	...	...	...	8½ "
1900-1	...	...	...	...	...	2½ "
1901-2	...	...	...	...	...	8½ "

Thus it will be seen there was practically a continued increase in dividends during the period 1886 to 1899. Since then the dividend has been well maintained with the exception of 1900-1 when only 2½ per cent. was paid. In 1897 the company obtained power to convert its Ordinary stock into Preferred and Deferred. The former is entitled to 8 per cent. per annum out of the profits of each year to 31st July—the date when the financial year of the company terminates. In the new Deferred stock the old Deferred No. 1, which carried corresponding rights, were merged. The Ordinary stock improved considerably, rising from 44½ in 1885 to 125 in 1896. Since then it has reacted.

The mileage of the Great North of Scotland is 381½. All of this, with the exception of 68 miles, is single line, though a further section of the main line is being doubled.

For the year ended 31st January, 1902, the gross receipts of the Great North of Scotland were £488,500. Goods and live stock yielded £169,000. Mineral receipts amounted to £51,000, and passenger receipts were £245,000, or over 50 per cent. Working expenses were £255,000, or 52 per cent. of gross revenue, the ratio having risen since 1896 by only about 1 per cent—an exceptional experience. The improvement in the dividends already referred to is

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mainly the result of the steady increase in gross receipts, with a moderate rate of working expenses. Subjoined is a comparison of the gross revenue at various periods :—

1885-6	£816,176
1888-9	841,228
1890-1	861,057
1892-3	887,358
1895-6	416,598
1896-7	484,500
1901-2	488,500

Thus during the sixteen years there was an increase in gross receipts of over £172,000, or more than 54 per cent.

To the 31st January, 1902, the capital expenditure of the Great North of Scotland Company amounted to £5,815,000. Of a total nominal capital of about 6½ millions the Preferred Ordinary capital only amounts to £920,182, or about 15 per cent. The whole of the dividend on this stock and the Deferred only amounted to the comparatively small sum of £32,000. From the very fact that the Ordinary capital is so small, it is liable to fluctuation of an unusual character. On the other hand a relatively small increase in the net revenue would double the present dividend and very greatly improve the price of the stock. Owing to its speculative proclivities this stock has been called the Brighton "A" of Liverpool, where at times considerable business in it has taken place.

This little railway had two issues of stock which are certainly curios in their way. The issues referred to are the Deferred stocks No. 1 and 2. The former amounted to £102,822, and was entitled to rank for dividend with the

Ordinary in any excess over 8 per cent., but since 1897 it has been merged in the Deferred Ordinary stock. The No. 2 amounts to £897,896, and is entitled to rank with the Ordinary stock for dividends in excess of 5 per cent. on the latter. This company is an improving one, but as affecting the interest of the ordinary shareholders it should be kept in view that a considerable outlay has to be faced for the doubling of existing lines. The development of traffic has rendered this necessary, and as traffic increases this work will have to be continued.

The last company of this group is the Highland. Its mileage is 485. All of its system but about 88 miles is single line. At 31st January, 1902, its total expenditure on capital account amounted to £6,975,000. The company has been spending a considerable sum on capital account in recent years, but for the past year the outlay amounted to only £81,000.

The total revenue of the Highland Railway for the eleven months to 31st January, 1902, was £585,000. Of this sum £812,000 was derived from passenger traffic.

Formerly the accounts of this company were made up a month later than those of other Scotch Railways, namely, to the end of August and February. Under its Act of 1901 the change was authorised to 31st January and 31st July. The change necessitated the presentation of accounts for only five months to 31st July, 1901. This will not only put it in line with other Scotch railways, but will equalise its half-years. Owing to its large tourist business the old method of making up the accounts to 31st August used to make the first half of its year always much more profitable than the second. Over £55,000 a year is paid

to this company for the carriage of mails, this being a large sum compared to total revenue. Owing to the fact that it serves a sparsely populated country without any important industries, its ratio of expenses is high at 66½ per cent. In 1896 its rate was 60 per cent., which was then the highest of any railway in Great Britain excepting the Great Northern.

During years prior to 1896 the Highland Company had been increasing its dividends, but the increase has not been maintained, for under cover of a so-called Reserve Fund revenue charges were being made to capital. On this fact being realised in the autumn of 1895 a sharp fall of 16 points to par took place in less than a month. During 1896 the quotation fell to 91, and in 1901 to 36. Between 1893 and 1895 the following sums were debited to the Reserve Fund, which should properly have been charged to revenue :—

Half-year ending				
28th Feb., 1893 ...	...	...	...	£1,858
31st Aug., 1893 ...	...	...	...	2,076
28th Feb., 1894 ...	...	...	...	5,516
31st Aug., 1894 ...	...	...	...	8,062
28th Feb., 1895 ...	...	...	...	11,962
31st Aug., 1895 ...	...	...	...	22,189

As the Reserve Fund against which the above sums were charged was made up of Premiums on Stocks issued by the Company, it was really a part of capital, and is generally treated as such. In the August, 1896, accounts it was satisfactory to find that the so-called Reserve was transferred to the credit of the Capital Account. As a result of

an investigation by the shareholders into this and other matters a change in the management took place, and with the fair start it then had the company should, eventually, attain a sounder position. The process of putting the company on a sound financial basis has been a slow and painful one, and has implied the complete disappearance of ordinary dividends. The suspense items in the balance-sheet have been almost wiped away, and up to the present the company has regularly met its preference dividends. In 1901, however, its resources were so crippled that it had to make application for authority to issue £500,000 Second Debenture Stock. In September, 1901, sanction was given to the issue of half that amount. Dividends on Highland Ordinary Stock for the past eleven years have been as follows :—

1891-2	...	...	...	...	4 $\frac{7}{8}$ per cent.
1892-3	...	...	...	...	4 $\frac{7}{8}$ "
1893-4	...	...	...	...	4 $\frac{7}{8}$ "
1894-5	...	...	...	...	4 "
1895-6	...	...	...	...	2 $\frac{3}{4}$ "
1896-7	...	...	...	...	1 $\frac{1}{2}$ "
1897-8	...	...	...	...	1 $\frac{1}{2}$ "
1898-9	...	...	...	...	$\frac{1}{2}$ "
1899-1900	...	...	...	...	$\frac{1}{2}$ "
1900-1	...	...	...	...	<i>nil.</i>
1901-2	...	...	...	...	<i>nil.</i>

In a way the Highland Railway is a philanthropic concern, for it has opened up large districts without adequate return in the shape of financial results. As a company, it is therefore deserving of much consideration on account of

its peculiar difficulties, especially as these have been considerably increased in recent years by the exacting requirements of the Board of Trade regarding the conduct of the traffic. No doubt in course of time it will show improvement, though it must be remembered that its stock has not suffered depreciation to anything like the extent warranted by the fall in the dividend.

In March, 1902, an important agreement was sanctioned by the shareholders for the working by the Highland Company of the Invergarry and Fort Augustus line for a period of ten years. The latter line will run from Spean Bridge on the West Highland to Fort Augustus. It is virtually a sort of "buffer state" which prevents the threatened entrance of the West Highland Company (otherwise the North British), into Inverness.

and Proportions of Debenture,

ce	Per cent. of Total Capital.	Ordinary Stock.	Per cent. of Total Capital.
		£	
GreD	48·58	9,668,600	22·79
GreD	37·01	14,468,641	29·33
Gre7	40·98	16,868,067	34·61
GreB	42·51	28,662,545	32·65
LanB	40·88	16,740,995	32·13
LonB	30·55	†40,928,573	40·68
LonD	40·90	12,084,505	30·94
LonB	41·42	9,220,399	34·63
Lon2	28·78	11,259,282	40·59
MidD	36·72	39,287,764	38·71
Nor1	30·86	29,587,149	43·80
Sou2	42·13	10,043,089	33·11
*CaB	34·90	§18,334,591	42·52
*Gl4	39·96	5,667,420	35·50
*No5	58·72	7,043,487	15·99

Ord., £9,465,972.



each description of Traffic.

	Passengers, Parcels, Mails, etc.		Sundries, including Steamboats, Rents, &c.	
	Amount.	Percent. of Total Revenue.	Amount.	Percent. of Total Revenue.
	£		£	
Great C	614,882	22·95	418,494	15·62
	904,754	26·45	498,911	14·44
Great E	2,489,079	52·23	424,082	8·89
	3,062,820	53·39	453,707	7·91
Great N.	1,820,397	36·55	792,471	15·91
	2,088,120	36·23	929,931	16·13
Great W	4,418,239	45·78	208,287	2·16
	5,379,381	47·21	216,739	1·91
Lancash	2,059,390	41·95	70,371	1·43
	2,314,458	42·95	98,936	1·84
London	5,225,515	41·80	404,970	3·24
	6,054,646	43·01	432,286	3·07
London	2,621,651	62·35	426,690	10·15
	3,058,402	61·06	578,929	11·56
London,	1,994,955	72·41	94,272	3·42
	2,315,551	72·10	111,846	3·48
Midland	3,044,266	31·19	313,655	3·21
	3,592,503	31·61	374,090	3·29
North-E	2,384,182	30·78	276,679	3·58
	3,007,815	32·99	279,028	3·06
South-E	2,766,952	67·46	462,657	11·24
	3,136,175	70·23	234,473	5·25
† Caledo	1,328,050	35·82	208,295	5·62
	1,695,222	39·20	274,704	6·35
† Glasgo	631,819	43·47	38,257	2·63
	793,128	45·19	43,523	2·48
† North	1,413,402	37·46	106,731	2·89
	1,735,427	38·79	173,477	3·88

*Fig which are excluded from the Managing
ous revenue.





TABLE II.

Capital Expenditure during Ten Years, 1892—1901, and
Increase in Mileage for same period.

Company.	Capital Expenditure, excluding nominal additions.	Increase in Mileage constructed, owned, and worked, 1892—1901 inclusive.
	£	
Great Central	17,464,000	167
Great Eastern	7,610,000	81
Great Northern	10,946,000	52
Great Western	*15,644,000	448
Lancashire and Yorkshire	7,902,000	80
London and North-Western	10,841,000	50
London and South-Western	9,818,000	48
London, Brighton, and South Coast	4,654,000	12
London, Chatham, and Dover	†1,558,000	†
Midland	19,680,000	96
North-Eastern	11,168,000	64
South-Eastern	‡6,718,000	†59
Caledonian	10,684,000	74
Glasgow and South-Western	8,741,000	46
North British	§8,094,000	68
Total 15 Companies...	£145,967,000	1,290

* Includes £4,865,000 on account of amalgamations.

† Increase in Mileage of combined South-Eastern and Chatham systems was 59 Miles.

‡ Includes the contributions to the capital expenditure of the Managing Committee.

§ Nominal additions amounting to £5,203,610 excluded.

TABLE IV.

Revenue, Expenditure, and Net Receipts from Steamboats
for the years 1895, 1896, and 1901.

Company.	Receipts.	Expenses including Deprecia- tion, etc.	Net Revenue from Steamers.
	£	£	£
Great Central ... 1895	85,718	78,828	<i>Profit</i> 6,890
1896	84,016	79,898	„ 4,628
1901	108,881	89,118	„ 19,718
Great Eastern ... 1895	266,588	217,557	<i>Profit</i> 49,026
1896	264,572	221,301	„ 43,271
1901	277,519	265,274	„ 12,245
London and South- Western ... 1895	178,521	200,559	<i>Loss</i> 27,038
1896	176,622	209,218	„ 82,596
1901	179,779	*226,089	„ 46,810
London, Brighton, and South Coast 1895	80,418	89,549	<i>Loss</i> 9,131
1896	85,996	87,584	„ 1,588
1901	98,826	102,694	„ 9,868
London, Chatham, and Dover ... 1895	144,688	108,879	<i>Profit</i> 40,809
1896	142,249	105,621	„ 36,628
South-Eastern ... 1895	62,002	68,889	<i>Loss</i> 1,887
1896	56,148	62,787	„ 6,639
South-Eastern and Chatham ... 1901	201,005	197,291	<i>Profit</i> 3,714

* Including Depreciation charged in Net Revenue Account.

89 to 1901.

	Wagon Repairs.	Traffic Department.	Total Wages.	Increase 1901 compared with 1889.
	£	£	£	£
Great Ea	9,886	485,200	982,241	524,126
	8,087	571,989	1,166,741	
	8,505	746,970	1,506,867	
Great No	1,356	495,589	967,698	605,885
	7,982	599,603	1,178,229	
	8,647	812,958	1,578,088	
Great We	5,648	858,861	1,875,077	980,919
	8,652	1,012,640	2,248,443	
	1,576	1,290,884	2,855,996	
Lancashir	2,887	662,275	1,192,607	443,114
	2,228	785,506	1,818,405	
	1,728	981,070	1,575,721	
London a	0,449	1,481,760	2,686,876	1,180,567
	0,422	1,722,226	3,008,978	
	4,735	2,242,764	3,817,443	
London a	8,952	414,632	807,805	398,019
	8,240	490,655	949,888	
	7,082	626,575	1,205,824	
Midland	8,048	1,223,210	2,814,502	1,688,620
	9,235	1,622,440	2,921,601	
	4,280	2,229,062	3,958,122	
North-Ea	4,283	765,186	1,722,245	980,818
	5,300	1,020,543	2,110,502	
	0,301	1,280,014	2,652,563	
South-Ea	8,225	369,517	692,545	394,063
	4,818	432,988	806,621	
	1,076	572,931	1,086,608	
Total	13,181,596	7,095,181
	...	...	15,703,908
	...	...	20,226,727

* For these years.





	Guaranteed and Preference Dividends.		Ordinary Dividends.		Balance carried 31st Dec., 1901.
	Amount.	Per cent. of Total.	Amount.	Per cent. of Total.	
Great Central	476	36·88	£ nil.	—	£ 1,642
Great Eastern	608	35·80	412,136	18·76	60,148
Great Northern	910	42·82	505,892	26·08	21,124
Great Western	228	35·19	1,213,658	28·77	46,544
Lancashire	391	42·42	627,787	30·04	21,786
London and	240	29·10	2,357,982	44·98	75,351
London and	348	35·11	649,542	35·24	24,200
London, Brighton	408	41·55	441,424	34·19	25,257
London, Chatham	509	31·27	nil.	—	17,541
Midland	789	37·58	1,730,820	39·98	48,503
North-Eastern	430	27·88	1,540,276	48·22	53,173
South-Eastern	296	40·73	200,861	18·05	4,530
Caledonian	470	27·19	733,388	38·09	17,292
Glasgow and	436	32·18	245,891	34·47	6,579
North British	074	53·57	364,271	18·41	8,387

* £8,000
† Include
‡ Include
§ Exclude

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TABLE V.

Working Expenses for 1896 and 1901, and per-centage of same to Gross Receipts.

Company.				Amount of Working Expenses, 1896 & 1901.	Per cent. of Gross Receipts
				£	
Great Central ...	...	...	1896	1,392,488	51·97
			1901	2,266,167	66·26
Great Eastern...	...	...	1896	2,685,706	56·85
			1901	3,599,307	62·74
Great Northern	...	...	1896	3,087,322	60·99
			1901	3,878,370	67·29
Great Western...	...	...	1896	5,301,537	54·94
			1901	7,175,876	62·98
Lancashire and Yorkshire	...	...	1896	2,695,726	54·92
			1901	3,299,122	61·24
London and North-Western ...	...	...	1896	6,758,554	54·02
			1901	8,829,268	62·72
London and South-Western ...	...	...	1896	2,388,378	56·80
			1901	3,164,788	63·19
London, Brighton, and South Coast	...	...	1896	1,421,141	51·58
			1901	1,921,212	59·81
Midland	...	...	1896	5,282,542	54·12
			1901	7,038,914	61·90
North-Eastern...	...	...	1896	4,422,828	57·11
			1901	5,923,910	64·97
South-Eastern and Chatham Joint			*1896	2,177,468	52·70
			1901	2,972,588	66·57
Caledonian	...	...	1896	1,771,371	47·77
			1901	2,847,400	54·25
Glasgow and South-Western...	...	...	1896	772,374	53·15
			1901	1,042,835	59·88
North British	...	...	1896	1,770,578	47·94
			1901	2,269,019	50·72

* Compiled from the separate accounts of the two Companies in 1896.

TABLE VIII.
Margin of Security for Preference and Debenture
Stocks, 1896 and 1901.

Company.				Percentage of net Revenue remaining after last Debenture Stock.	Percentage of Net Revenue remaining after last Preference Stock.
Great Central	...	...	1896	67·82	5·84
			1901	36·88	nil
Great Eastern	...	...	1896	55·23	18·88
			1901	54·06	18·76
Great Northern	...	...	1896	70·40	35·89
			1901	68·85	26·03
Great Western	...	...	1896	65·37	31·91
			1901	63·96	28·77
Lancashire and Yorkshire	...		1896	76·48	40·66
			1901	72·46	30·04
London and North-Western...			1896	77·01	50·44
			1901	74·03	44·93
London and South-Western...			1896	78·55	42·94
			1901	70·35	35·24
London, Brighton & South-Coast			1896	78·41	39·33
			1901	75·74	34·19
London, Chatham & Dover ...			1896	41·32	nil
			1901	31·27	nil
Midland	...	...	1896	76·00	46·25
			1901	77·56	39·98
North-Eastern	...	...	1896	78·02	51·81
			1901	75·60	48·22
South-Eastern	...	...	1896	65·48	38·38
			1901	58·78	18·05
Caledonian ...	...	...	1896-7	68·07	38·99
			1901-2	65·28	38·09
Glasgow & South-Western...			1896-7	68·82	37·17
			1901-2	66·65	34·47
North British	...	...	1896-7	71·55	17·50
			1901-2	71·98	18·41

TABLE IX.

Dividends for 11 Years—1891 to 1901 inclusive.

Stock.	1891	1892	1893	1894	1895	1896	1897	1898	1899	1900	1901
<i>I. Ordinary Stocks.</i>											
Barry	10	9½	9½	10	10	10	10	3	9	6	6½
Caledonian	4½	4½	4½	3½	5	5	5½	5	4½	4	4
Central London	—	—	—	—	—	—	—	—	—	—	—
Furness	2½	1½	1½	1½	1½	1½	1½	2½	3½	3½	2½
Great Eastern	2½	2½	1	1½	2½	3½	3½	3½	3½	3	3
Great Western	6½	5½	4½	5½	5½	6	6	3½	5½	4½	4½
Hull and Barnsley	—	—	—	—	—	—	—	—	—	—	—
Lancashire and Yorkshire ..	3½	3½	3½	4	4½	5½	5½	5½	5½	4½	3½
London and North-Western ..	7	6½	5½	6½	6½	7½	7½	7½	7½	6½	5½
London and South-Western ..	6	6	6	6½	6½	6½	6½	6½	6½	6½	5½
London, Brighton, & South Coast.	6½	6½	5½	6	6	6½	6½	6½	6½	5½	4½
London, Chatham, and Dover	—	—	—	—	—	—	—	—	—	—	—
Arbitration Pref.	4	3½	3½	3½	3½	4½	4½	4½	4½	4½	2½
Ditto, 2nd Pref.	—	—	—	—	—	—	—	—	—	—	—
London, Tilbury, and Southend ..	3½	3½	3½	4	4½	4½	4½	5	5½	5½	5½
Metropolitan	3½	3½	2½	2½	2½	3½	3½	3½	3½	3½	2½
Do. District 5% Pref. ..	2½	3	2½	2½	2½	2½	3½	2½	2½	1½	—
North-Eastern	6½	4½	5½	5½	5½	6	6½	6½	6½	6½	5½
North Stafford	5	4½	4½	4½	4½	4½	4½	4½	4½	4½	3½
Rhymney	7½	8½	6½	7½	7½	10	10½	3	10	8	6
South-Eastern	4½	4	3½	4	4½	4½	4½	4½	3½	3	2
Taff Vale	2½	3½	2½	3½	3½	3½	3½	1½	3½	2½	3½
<i>II. Preferred Ordinary and Deferred Ordinary Stocks.</i>											
Barry Preferred	*4	*4	*4	*4	4	4	4	3	4	4	4
Deferred	*6	*5½	*5½	*6	6	6	6	nil.	5	2	2½
Caledonian Preferred	3	3	3	3	3	3	3	3	3	3	3
Deferred	1½	1½	1½	—	2	2	2	2	1½	1	1
Great Central Preferred	4½	3½	—	1½	1½	2½	1½	—	—	—	—
Deferred	—	—	—	—	—	—	—	—	—	—	—
Great Northern Preferred	4	4	4	4	4	4	4	4	4	4	4
Deferred	2½	2½	—	1	1½	2½	2½	1½	1½	—	—
Great North of Scotland Preferred	*3	*3	*3	*3	*3	*3	*3	3	3	2½	3
Deferred	—	—	—	—	—	—	—	—	—	—	—
Glasgow & S. Western Preferred	*2½	*2½	*2½	*2½	*2½	*2½	*2½	2½	2½	2½	2½
Deferred	*1½	*1½	*1	—	*2	*2	*2	2½	2½	1½	1½
London & S.-Western Preferred	4	4	4	4	4	4	4	4	4	4	4
Deferred	2	2	2	2½	2½	2½	3	2½	2½	2½	1½
London, Brighton, & South Coast .. Preferred	6	6	6	6	6	6	6	6	6	6	6
Deferred	7	7	5½	6	6	6	6	6	6	4½	3½
Midland Preferred	*2½	*2½	*2½	*2½	*2½	*2½	*2½	2½	2½	2½	2½
Deferred	*3½	*3½	*1½	*2½	*2½	*3½	*3½	3½	3½	2½	2½
North British Preferred	2	2	3	2½	3	3	3	3	3	3	3
Deferred	2	2	—	—	—	1½	1½	1½	7	—	1½
Rhymney Preferred	*4	*4	*4	*4	*4	4	4	3	4	4	4
Deferred	*3½	*4½	*2½	*3½	*3½	6	6	6	6	4	2
South-Eastern Preferred	6	6	6	6	6	6	6	6	6	6	4
Deferred	2½	2	1½	2	2½	3½	3½	3	1½	—	—

* On basis of ordinary dividends paid previous to Conversion of Stock.

† For five months only = 5 p.c. per annum.

TABLE X.

GREAT WESTERN RAILWAY.
Cost of Maintaining Permanent Way and Rolling Stock.

Period.			Maintenance of way.	Locomotive Repairs.	Carriage and Wagon Repairs.
			£	£	£
1885	{ 1st half	...	409,405	182,950	150,403
	{ 2nd half	...	418,288	174,517	157,679
	{ Year	...	827,693	357,467	308,082
1888	{ 1st half	...	397,570	179,773	164,010
	{ 2nd half	...	433,617	179,921	173,837
	{ Year	...	831,187	359,694	337,847
1889	{ 1st half	...	422,797	178,351	180,507
	{ 2nd half	...	474,603	194,096	189,823
	{ Year	...	897,400	372,447	370,330
1890	{ 1st half	...	444,257	184,248	190,811
	{ 2nd half	...	500,680	199,615	198,051
	{ Year	...	944,937	383,863	388,862
1891	{ 1st half	...	461,255	198,243	203,823
	{ 2nd half	...	504,416	208,380	203,154
	{ Year	...	965,671	406,623	406,977
1892*	{ 1st half	...	456,183	212,179	208,271
	{ 2nd half	...	539,329	215,099	205,812
	{ Year	...	995,512	427,278	414,083
1893	{ 1st half	...	485,451	215,508	207,372
	{ 2nd half	...	538,447	220,047	203,354
	{ Year	...	1,023,898	435,555	410,726
1894	{ 1st half	...	516,654	224,070	215,179
	{ 2nd half	...	576,213	225,810	210,850
	{ Year	...	1,092,867	449,880	426,029
1895	{ 1st half	...	500,290	203,681	205,982
	{ 2nd half	...	580,974	220,173	229,893
	{ Year	...	1,081,264	423,854	435,875
1896	{ 1st half	...	583,523	228,905	240,185
	{ 2nd half	...	529,046	223,667	236,369
	{ Year	...	1,112,569	452,572	476,554
1901	{ 1st half	...	695,740	357,287	266,644
	{ 2nd half	...	701,577	344,907	284,461
	{ Year	...	1,397,317	702,194	551,105

* Debit of £66,000 additional carried forward at 30th June, 1892, and £50,000 at 31st December, 1892.

TABLE XI.

NORTH-EASTERN RAILWAY.

Revenue and Expenditure per Train Mile, 1888-1901.

Year.	Gross Revenue from Traffic.		Working Expenses.		Expenditure on Maintenance, Repairs, and Renewals per Train Mile.
	Amount.	Per Train Mile.	Amount.	Per Train Mile.	
	£	s. d.	£	s. d.	d.
1888 ...	6,852,018	5 5·2	3,519,276	2 10·5	15·1
1884 ...	6,486,758	5 4·8	3,488,915	2 10·8	15·5
1885 ...	6,181,051	5 8·8	3,296,481	2 10·0	15·2
1886 ...	5,894,792	5 1·9	3,166,162	2 9·1	14·4
1887 ...	6,056,016	5 1·9	3,242,290	2 9·1	14·8
1888 ...	6,316,525	5 2·4	3,359,979	2 9·1	14·9
1889 ...	6,887,870	5 4·5	3,622,715	2 10·0	15·8
1890 ...	7,280,951	5 6·2	4,051,496	3 0·7	16·4
1891 ...	7,182,462	5 4·0	4,100,079	3 0·7	16·0
1892 ...	6,672,416	5 1·9	3,954,805	3 0·6	14·9
1893 ...	7,188,468	5 1·9	4,111,486	2 11·5	14·5
1894 ...	7,488,328	5 8·8	4,281,028	3 0·5	14·5
1895 ...	7,815,599	5 8·1	4,221,162	3 0·5	14·8
1896 ...	7,788,128	5 4·8	4,422,828	3 0·7	15·0
1901 ...	9,112,179	5 9·8	5,928,910	3 9·1	17·8

TABLE XII.

Charges to Capital Account for Rolling Stock.

Company.	Gross Revenue 1901.	Debit in Capital Account for Rolling Stock, 31st December, 1901.	
		Amount.	Per £ of Gross Revenue.
	£	£	£
Great Central ...	8,420,065	5,709,984	1·66
Great Eastern ...	5,786,549	5,851,800	0·98
Great Northern ...	5,768,284	7,503,467	1·30
Great Western ...	11,898,850	12,255,164	1·07
Lancashire and Yorkshire ...	5,868,821	7,287,020	1·85
London and North-Western ...	14,077,075	10,984,242	0·78
London and South-Western ...	5,008,297	5,295,680	1·05
London, Brighton, and South Coast ...	8,212,292	8,458,505	1·07
Midland ...	11,862,982	16,718,545	1·47
North Eastern ...	9,117,633	12,854,262	1·35

TABLE XIII.

Relation of Net Revenue to Ordinary Capital, showing comparative Reversionary Values.

Company.	Ordinary Stock at 31st Dec., 1901.	Net Revenue for 1901.	Five per cent. of net revenue equals on Ordinary Stock.
	£	£	Per cent.
Great Central... ..	9,868,600	1,161,918	0·60
Great Eastern ...	14,468,641	2,192,242	0·76
Great Northern ...	16,868,067	1,944,914	0·58
Great Western ...	28,662,545	4,217,475	0·74
Lancashire and York- shire	†18,890,995	2,089,199	0·57
London and North Western	42,871,694	5,247,818	0·61
London and South Western	12,084,505	1,848,560	0·76
London, Brighton, and South Coast	9,220,400	1,291,080	0·70
London, Chatham, and Dover	11,259,282	687,888	††0·47
Do. do. 1st Pref.	6,706,184		
Midland	87,568,888	4,829,017	0·58
North Eastern ...	29,577,981	8,198,721	0·54
South Eastern ...	10,048,089	1,112,965	0·55

† Including new Stock issued January, 1902.

†† On Arbitration Preference which is short of its full 4½ per cent.]



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